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Fire Insurance and Credit

Two Papers, Written in 1898 and in 1923

By Geo. G. Ford

The Credit Monthly in its earliest form, "Business Topics," printed, in November, 1898, this thoughtful article by Mr. Ford, on the relation of fire insurance to credit. The publication of the article in 1898 shows the importance that has always been attached to the subject of insurance by the National Association of Credit Men and a consistent policy on the part of the Association's official organ.

We are fortunate in being able to offer herewith another article from the same authoritative source written for this 25th Anniversary Number of the magazine.—The Editor.

THE constant diminution in the rate per. cent. of profits and the marked increase in the cost of doing business, due largely to sharp competition as well as business depression, have well-nigh reduced the business of a wholesale merchant or jobber to profitless transactions. Accordingly, it has become an absolute necessity that losses from bad debts be reduced to a minimum. The jobber, therefore, is forced to give very careful attention to the financial condition of those to whom credit is granted. He must make careful investigation of matters which in the prosperous times of the past have been lightly considered or possibly entirely overlooked. The trained judgment of the credit man therefore is being constantly exercised concerning those things which tend to make credit-giving a risk that is not warranted by the present conditions. If the retail merchant only realized this he would cease to take offense when he is courteously asked for particulars with respect to his affairs.

Insurance has come to be recognized as one of the most important elements entering into the question of credit. Next to the trusting out of goods, insurance against fire is the most important matter. Nevertheless, there are many merchants who fail to give insurance that consideration to which it is entitled. It is often found in investigating statements that either no insurance at all is carried or else that the insurance is very small compared with the value of the stock on hand.

The retail merchant should realize that when he buys goods upon credit without taking out a proper insurance



Geo. G. Ford

that he asks the jobber to assume a double risk. First there is the ordinary credit risk and second there is the risk from fire. Almost invariably the goods remaining in the warehouses of the jobbers are amply insured. When the goods are transferred from the jobber's warehouse to the store of the retailer they should likewise be insured against fire.

If insurance is being neglected from lack of appreciation of its importance that fact may indicate to the creditor that the business methods in general of the merchant are more or less slack. If he is heedless of insurance, which is so vitally important, very naturally he may be suspected of trusting out his goods too freely and to be an indifferent collector and also a careless buyer. Straws show which way the wind blows and the manner in which insurance is managed is a straw in the wind which the jobber is prone to watch very closely.

The high rates for insurance prevailing in towns and villages is often given as a reason for not carrying in-

surance or for carrying limited amounts only. Does it never occur to the retail merchant that the only reason for high rates is that on the average fires in such localities are more frequent and more disastrous than in better protected places? Insurance premiums are based upon the quality of the risk. The higher the rate is that the insurance companies name the greater the danger is that they know to exist; hence the greater need to the merchant of the protection that insurance gives.

For the country merchant to carry any part of the risk himself is to be penny wise and pound foolish. Such a course is unjust to those who extend credit to him. Accordingly he should not be surprised when pursuing this course, if, in some cases, credit is absolutely withheld until his stock is sufficiently insured.

KEEP WELL INSURED IN GOOD COMPANIES!

The unwisdom of neglecting insurance on the score of economy becomes apparent on some unfortunate day, when the merchant's stock is consumed by fire and the earnings and accumulations of years vanish in an hour. If the stock had been properly insured there would be enough to meet business obligations and start anew. If it was not properly insured then all is lost and capital and credit are both gone. Insurance is a subject worthy of most careful thought upon the part of every business man. If there has been neglect in this regard the remedy should be applied at once. It will have the effect of renewing confidence and strengthening credit, as well as protecting the business, the home and the family. Every merchant's rule should be to keep well insured in good companies and never allow policies to lapse.

Insurance for the Benefit of the Business

(Written for the Anniversary Number, October 1923.)

AS the years pass the hazards of life seem to increase. We live faster to-day than we did yesterday and the risks are correspondingly greater.

The business world has experienced the same changes. Methods and prac-

tices, which were in vogue and considered adequate twenty-five years ago when the National Association of Credit Men was but two years old, have undergone many and substantial changes as the years have passed and as business has become more highly organized and more intensive in its operations. In like manner there have developed new phases of risk and increased hazards in credit giving, which have demanded new safeguards and additional means of protection.

When credit men in 1896 began to co-operate and to share experiences there was found an appalling situation as to the lack of protection of credit through adequate fire insurance. Then and there was begun a campaign of education along these lines, with the result that many a credit risk was safeguarded and many a business enterprise protected through the carrying of fire insurance upon stocks of merchandise and the buildings which housed them. The Association has all through its existence been constant in its advocacy of fire insurance as a requisite to credit.

All that has been said on the subject in the past may be said to-day and with increased emphasis. It is no longer safe for the insured or for the givers of credit to be content with a nominal amount of insurance against loss by fire. The experience of the past four or five years, with the cost pendulum swinging from one extreme to another, emphasizes the need of closer attention to this factor in credit risks and to general adoption of the policy of the perpetual inventory and full coverage as property values rise and fall with the market.

The credit departments of banks and commercial houses have, however, found that there are other and vital elements in a credit risk for which protection must be found and it has been and is being found in other forms of insurance probably to a greater extent than is generally known.

The speeding up of production by the use of new and improved machinery and accelerated transportation by means of motor driven vehicles have thrust into the credit problem the necessity for insurance protection against employers' and public liability. A successful suit for damages brought by an injured person through factory, elevator or motor accident may have a vital bearing upon the financial position of a debtor who is without the easily obtained protection from such misfortunes. Hence it seems imperative that the credit man satisfy himself that these elements in the credit risk are adequately covered.

INSURING THE KEY MAN

But there is another and in many cases a still more vital element in credit risks, and that is the personal equation. We recognize three sources of strength active in a successful business—Character, Capital and Capacity. Two of the Three C's are intangible. Capital alone is a tangible asset. With proper management and all the necessary safeguards, Capital may be kept intact and increased. If Character and Capacity are wanting there is no sound basis for credit and none should be given. If they exist they insure the successful turnover of capital and attendant profit. They reside, however, in men; and men die unexpectedly and in many cases leave the business with-

Educating the Public

Fire Prevention Week

October 7-13

By H. C. Brearley
New York, N. Y.

WHEN, at the annual meeting of the National Board of Fire Underwriters last May, President John B. Morton stated that American fire waste for the preceding year had reached the prodigious sum of \$521,000,000, the country was startled to realize that the loss total had risen beyond even that of 1906, when \$350,000,000, in values were destroyed in the single San Francisco conflagration.

The Fire Prevention Week Committee of that great technical and educational body, the National Fire Protection Association, now took the subject up for special consideration and called a meeting of representatives of many national organizations, including the National Association of Credit Men. All agreed that efforts should be concentrated upon four main objectives:

- (1) Suitable and adequate building codes where there are none;
- (2) The teaching of fire prevention in all schools;
- (3) Inspection and protection of schools, hospitals, churches and state institutions;
- (4) Systematic inspection by a bureau of fire prevention formed in the regular fire department.

Following this meeting, there was worked out a novel means for promoting these ends and a sub-committee on "Exposition Co-operation" was appointed by T. Alfred Fleming, General Chairman and placed under the special chairmanship of H. L. Miner, manager of the Fire Protection Division of the E. I. du Pont de Nemours Co. The sub-committee, as its part of the movement for better conditions, undertook an Exposition and a Congress for Fire Prevention week at the 71st Regiment Armory in New York, October 8-17.

This joint activity is based upon the fact that the general public and the architects, contractors, manufacturers, bankers, credit men, municipal officials and other groups must be drawn together through some means that will visualize to them the imminence of fire hazard, the terrible price which it exacts in life and property, and the simple means by which it may be obviated.

A PLACE OF THRILLING INTEREST
Through the co-operation of many organizations and the employment of novel means of presentation, there will be impressed upon the exposition visi-

out chart or compass or a successor competent to take the helm. Protection against this ever present danger is available in the form of Business Insurance. The American Bankers Association and the Federal Reserve Banks have each stressed the necessity of recognizing the importance of this form Insurance as an additional safeguard to credit. The National Association of Credit Men at its annual conventions has spoken with emphasis on this subject. The following brief quotation from one of these pronouncements is clear and to the point:

The advantages of this form of insurance are not alone evident upon the death of a partner or the key man of a corporation. In the history of business

for a cumulative effect of the minute-by-minute recurrence of fire destruction and its disastrous results to the Nation and the individual.

Even more important will be the clear demonstration that most of this destruction is entirely preventable. The exposition will not be theoretical. It will present hundreds of devices and processes that have been tested, with reference to eliminating their natural fire hazard, or to demonstrating their ability to protect from fire, by the searching investigation of that entire non-commercial institution, Underwriters' Laboratories. No manufactured products will be permitted on exhibition that have not successfully withstood such tests.

Because of the interest in fire prevention shown by his proclamation as governor of Massachusetts, urging "that everything possible be done to lessen the fire hazard in this commonwealth," President Coolidge will be asked to open the International Fire Prevention Congress.

The Congress will be unique in character and importance. There will be an assemblage of leading authorities in all branches of fire prevention effort, each to discuss his own specialty from his individual point of view. Unlike the annual meetings of the National Fire Protection Association, the discussions will be expressed in popular language. The use of technical terms will be discouraged and the many-sided, vital discussions will be kept within the understanding of the general public whose interests are affected.

This does not mean that the remarks will be more popular exhortations as to habits of carefulness and the like. They will go into such intensely practical questions as the means by which architects and builders may safeguard construction, the automatic control of fire, the use of "first aid" extinguishers, the utilization of local and central station alarms, fire-fighting by professional and by volunteer departments, inspections by the uniformed force, "self inspection" in stores and factories, "self inspection" for homes, the interest of labor in fire prevention, protecting life in schools, in hospitals and in churches, the relations of fire prevention to insurance premiums, and other phases of this almost illimitable subject.

There will be radio broadcasting to all who have radio outfits in different parts of the country. Through the concurrence of several organizations, it may be possible, in effect, to "corner the air" for at least one hour each evening from October 8 to 13 for this specific class of discussion.

there are many cases in which such insurance has saved the situation financially through the availability of the protection as collateral, and through the use of which, emergent needs for cash have been met.

The successful credit man will have the courage to demand this form of protection when the circumstances justify it and in so doing he will not only surround his own risk with more ample protection but will commit the debtor to a sound business policy, which will bring to him, his family, and his business associates a sense of security not otherwise enjoyed. It may be fairly said of this form of insurance that "It is twice blest—it bleaseth him that gives and him that takes."

Notes on Insurance by the Editor

Fire Losses and Insurance Costs Are Vast Self-Imposed Tax

A week in this month, October 7-13, is in a sense dedicated by authorities in many states to the thought of fire prevention. When we are confronted with the figures of our fire loss of 1922, considerably over a half billion dollars, with the loss of thousands of precious lives besides, we ask what is the matter with the American people that they fail to take to heart the fact that they lead the world in their per capita fire loss.

Governor Lowden of Illinois asked a similar question when, before the Atlanta convention of the National Association of Credit Men, he was pointing out how rapidly our taxes were approaching the point of confiscation in some jurisdictions, and explained the paradox by quoting from James Bryce, who, in "Modern Democracies" said: "So far from securing economy, as John Bright and English radicals of his time fondly expected, democracy has proved a more costly though less incompetent form of government than was the autocracy of Louis XV in France or the Czars of Russia."

Apparently, as a people possessed of the right to determine the measure of our taxation, we indulge in extravagances in government beyond those of every other nation, even the nations whose people are subject to oppression by their rulers.

Do we have here any sort of explanation for our apparent indifference to our gigantic fire losses? These losses and the insurance bill intended to cover them are equivalent to a vast self-imposed tax which mounts year after year at a rate exceeding our rate of wealth accumulation.

Senator Lowden says, "One of the most prolific sources of extravagances in government today is chargeable to the fallacy, so commonly heard that under our system of taxation, that only the rich pay the taxes." A most fruitful field for the demagogue has been opened up by virtue of such teachings but we appear to have its equivalent in our fire loss problem for there is still widely held the thought that it is the rich insurance companies located in the big prosperous centers which must sustain the losses which befall us through fire. Apparently, it is difficult for a great many men to comprehend that the most brilliant underwriter could not devise a plan under which fire losses could for long be paid that were in excess of the premium receipts minus a very large fraction necessary for the conduct of the business.

The feeling so often heard expressed that no great harm comes through fire if only the property is well insured is significant of the popular feeling. It is for those who do understand to offer battle vigorously against this costly fallacy.

What Part

Are You

Taking

in

Fire Prevention

Week?

October 7—13

The Tyrants Who Killed Last Year 3000 Americans

THE world is presumed to have been well cleared of tyrants and yet the number of those who have other men and their property under their malefic power is greater than ever it has been.

The man who stuffed the restaurant ventilator with paper and made it a lightning carrier of fire from chance sparks, had in his power the life and happiness of scores of tenement dwellers and only a few days ago brought about the death of four of them. The man who tossed his lighted match or cigarette into the filmy cotton waste accumulated under the cutting table, had in his power several hundred young women and snuffed out the lives of scores of them.

Such tyrants wiped out 3,000 lives in this supposedly free land of ours last year and they have been doing about as equally deadly work every year.

If effectiveness in destructive results is any criterion, the new tyrant is the peer of the political tyrant of old in his power over the destinies of man, his life, his property and happiness.

Why do we permit this master tyrant to get a stronger grip upon us year after year? How much longer are we to permit him to stalk over the land destroying our women and children and the wealth we have been, by hard labor, accumulating?

From the people as a whole this tyrant has received not even a challenge. Like the ancient prophets there have been a few who cried out hoping that the people might be moved, but occupied by the daily demands of business

and society, the people take little heed and the tyrant continues his work unmolested. Lacking faith in one another, the people content themselves with charging that their prophets have selfish interests to serve.

We are appalled by the disaster in Japan; we are staggered at the estimated loss of a billion dollars; and yet at the present rate of fire destruction, America in twenty-four months will more than equal the losses the Japanese people have suffered in one of the great disasters of history. And still the people turn a deaf ear.

Credit Seeks Lines Where Fire Hazard is Small

WHEN the history of industry is written, one of the most fascinating chapters will be devoted to the processes by which men have overcome the natural hazards of business.

The process which gives us the flour that goes to make the staff of life presents a hazard of terrifying possibilities. Let the dust incident to the making of flour get but the slightest spark and the speed of the flame is like the flash of an explosion. The industry, however, has, through determined study of its peculiar hazards, put the flour milling risk in a highly preferred class.

Farther back in the study of hazards is the cotton goods manufacturing industry. Cotton mills in their early days were the specially ready prey of flame. Today as we know, cotton mills rarely burn and insurance companies seek assiduously for cotton milling business because it is safe.

We might go on with examples, but let us be content with one other, the wholesale drug line, a business of great natural hazard because the wholesale druggist must carry liquids, gases and other substances requiring constant watchfulness against explosion and fire. This industry has so standardized its operations that fires have been reduced to a remarkably low point and wholesale drug risks are earnestly sought by insurance companies because their business is safe and profitable.

Under such improved conditions we have not only better risks for fire insurance companies but better risks for all credit transactions. Credit seeks stability. The flour milling, cotton and wholesale drug lines at one time were far from stable. Fires again and again would bring up the question as to the likelihood of prompt settlement of credits extended.

What was done in these lines can be done in every line. The men who were determined to eliminate or reduce the hazards in these lines were confronted with problems far more difficult than are to be found in most lines of business. If success could be attained by them, success can be attained by all. Every line, for both individual reasons and broad economic reasons, should study for the elimination of its peculiar hazard.

Insuring the Key Man's Life

By Clarence Axman

Editor of the Eastern Underwriter

IN the romantic topsyturvisms of American business, thrills and tragedies meet. Harris, the manufacturer of 1913, and Tony, the office boy, are Tony, the manufacturer, and Harris the clerk of today. It is thrilling for Tony; it is tragic for Harris. The life insurance companies of America are glad that Tony has arisen and they are sorry for Harris; but they feel that if Harris had come to them in 1913, good fortune might have continued to smile at him in 1923, because his troubles may not have been of his own making and could have been obviated had he protected his business and his credit with insurance. He may have failed for a number of reasons and it is not unlikely that one of them was the death of a partner or of an engineer or a salesman or a financier, in other words, a key man in his establishment whose life Harris could have had insured.

Knowledge of such failures as well as failures which were averted, undoubtedly was in the mind of the National Association of Credit Men when, at its recent convention, it advised that the keyman of the business establishment should be insured for the benefit of the firm. In doing this it promulgated a doctrine which has been preached by insurance agents for years. At the start of life insurance in this country, the policyholder "had to die to win" or, to be more accurate, for some one else to win. He bought his insurance so that his family would have protection after his death. But sometimes the insured was so heavily in debt that there was little or no protection left; and these debts, more often than not, were unknown to his family until the estate began to be settled. Thus, the insurance proceeds frequently went to creditors instead of to wife and children.

As insurance policies began to be liberalized and insurance agents more adequately grasped the ramifications of their own business, the questions they asked prospects before they insured them grew in variety and took a turn not only into the earning power of the assured and his family expense, but into his private financial affairs as well. Policies were drawn that gave insurance protection to many men not only for the family's immediate needs which would follow his death, but to cover the red ink part of his ledger so that his debts would be wiped out and there would be sufficient proceeds to permit the family to retain its customary living and comfort habits.

PROTECTING THE BUSINESS

Having protected the home and the pressing financial obligations incurred by the insured, the next step of the agents was to protect the business itself and thus millions of dollars of insurance came to be written on partners or on corporation associates. These policies grew in size and in variety as agents became specialists on business and partnership insurance and this specialization continued until one agent, most of whose business was in policies upon business people, actually paid the

"The credit man seeks to know the key man in the concern to which he checks considerable credits, bearing in mind that more upon the key man than perhaps upon the capital of the concern itself rests the success of the business. The credit man, therefore, urges upon important customers that they insure themselves as liberally as possible against the loss by death of the key man. There are examples aplenty to indicate the value of such provision."

Report of the Insurance and Prevention Committee of the National Association of Credit Men.

insurance companies for \$30,000,000 of insurance in one year. This agent was the first to think of many of the most important reasons for adequate protection of business and credit by insurance and, it is said, he knew more about the incomes of people in New York City than any banker in the town.

Now, exactly what do credit men's associations mean by referring to the keyman whose associates need the protection which the insurance on his life will afford? He is a person of such importance that if he died the firm would find its affairs unsettled and perhaps even ruined. The keyman is not necessarily the president of the corporation, his specialty may be executive talent, or good fellowship which wins the asset of good-will, or selling, or engineering. One thing is sure, that his death means at least a temporary money set back. It may or may not be possible to replace him. However, his death would create a situation where an influx of money into the coffers of the firm will help a great deal, by giving the surviving members a chance to turn around and to find some one else, and furthermore would relieve the minds of the creditors.

The keyman sometimes proves to have been the person who puts to rout the old saying that no man is so important that some one else cannot be found to take his place. This old bit of philosophy was probably coined by a tight-fisted merchant or manufacturer to curb the egotism of a brilliant employe whose services were growing in value, a fact generally recognized outside of his own establishment. Charles A. Dana was the keyman of the old New York Sun. When he died the paper lost prestige and finally the morning paper lost its identity. The business world is full of decaying firms which lost their keymen. Only a few years ago there was a novelty store dealing in exquisite things from the Orient and located just below Twenty-

third street, New York. Its name was known to every shopper in the city; but how many today could tell what that name is?

Clayton M. Hunsicker, of Philadelphia, who has made a special study of business longevity in that city, says that there are not eighty business establishments in Philadelphia that are one hundred years old,—and Philadelphia is one of the oldest and most conservative cities in the country.

Death is a great unsettlement. It comes unexpectedly, ruthlessly leaving everything at sixes and sevens. A business builder can dictate the scope of his business, but not the spell of his life. He can estimate what goods he expects to sell and when they will be paid for, but no matter how omniscient, he does not know whether he will be alive to see them sold or to see the bills collected. A firm plans its campaigns for years ahead but the thought that some member of the firm, possibly the keyman, may die rarely enters its head. Along comes death and burdens are piled up and obligations appear on every hand. It is very disconcerting when not prepared against. Here is where insurance comes in to lighten the burdens and remove the obstacles.

There have been calls upon insurance for protection of dominating figures in the largest of corporations. It can be accepted that the bigger the corporation the more efficient the organization. Thus the death of any individual may not cripple the organization to any considerable extent. It may be denied by economists that the drop in Hill railroad securities was directly connected with the passing of the head of these lines. Yet corporations like individuals do not stand still: any student of finance can name offhand some large corporations which are not so strongly entrenched as they were when their founders were alive.

In the West there is a large dry-goods store, the president of which was an unusually able business man. A few years ago when the company was in the very best of condition, it bought policies on the life of the president for \$1,000,000, payable to the corporation. Following the war, by reason of readjustments in prices and general conditions, the company wrote off an inventory loss of something like \$1,000,000. Re-organization was effected and new capital replaced by one or more of the large stockholders. The president died and his death might have been a serious loss to the stockholders as he was, at his death, chairman of the board of directors and very active. The insurance money, coming in just at the time it did, put the company on Easy Street. In the re-organization there was a considerable sum of money which had been borrowed by the firm; and the policies were probably used as collateral. Payment of the life insurance relieved the company materially and this case is an excellent illustration of the value of

(Continued on page 24)

The Conscience of the Public

Can It Be Aroused Against Incendiarism?

By State Fire Marshal L. T. Hussey, Topeka, Kans.



IN answer to the question that makes up the title of this article, I would say most emphatically that the public conscience can be aroused against the plague of incendiarism. Any other answer would be in part a confession of failure, an admission of the weakening of the moral and mental fibre of our citizenship which in itself is a suggestion of disaster. It would be an admission that we have reached the top and that there is nothing before us to dissect. Such confessions or admissions are not to be tolerated. We know they are not true.

It should be kept in mind that the number of incendiary fires is relatively small and that the number of "professional" jobs is even smaller. But even so, there are too many. Incendiarism is a crime, just as are bank robbery and burglary, and incendiarism must be included in the same class that are these crimes. It is impossible to assume for a moment that the great mass of people look kindly and lightly upon any sort of crime. The extent to which they may seem to do so is to be accounted for in a lack of understanding of the nature of the particular crime.

It may seem strange that a campaign of education should be necessary to teach the people the nature of a crime, but in a case of arson it is only too true. This is so, as I see it, because arson is one of the most subtle of all crimes. There is no crime the circumstances surrounding which are so easily explained away, and, what is more important, is the popular fallacy that after all it is only the insurance company that is the loser by fire. It is this last misconception of who stands the loss that I believe is the real basis of the carelessness and indifference and lack of conscience toward incendiarism which underlies the problem.

The public does not seem to have grasped the fact that insurance companies are not entirely separate and apart, that they are not great soulless organizations with limitless millions of

dollars and are proper prey for the criminally inclined. The public seems not to have learned yet that insurance companies are merely collectors and distributors, that they of themselves have no money with which to pay losses except as they collect it from the public and that a fire loss is not a direct loss to the company but to the people. In other words, the public has not yet reached the point where it sees that when an individual deliberately destroys his property by fire and is able to collect his insurance, he is robbing every individual who has an insurance policy in that company. People naturally do not want to be robbed and when this fact has been instilled into their minds as it some day will, the crime of arson will no longer be condoned nor will it be regarded as an achievement to beat the insurer.

The public not only does not understand the nature of arson and its relation to the insurance business, but it does not understand the nature of fire losses in general. Every man has been so deeply engrossed in his own affairs that he has given small heed to the enormous fire loss of the country.

In this day and age when every agency of life is urged to conserve to the utmost its energy and resources, the public should be fully advised of the property that is being destroyed by fire and can never be replaced. It is a self-evident fact that a piece of property that has gone up in smoke can never be rehabilitated with the same materials and the same energy that went into its original construction. The credit men, who are constantly dealing with insurance problems, can greatly assist in the task of awakening the public to the fact which, when grasped in its full significance, will arouse the public conscience. Then there will follow a material lessening of fires due to carelessness. There will then come in even a more marked degree a falling off of incendiarism.

Another significant thing that has, in

a measure, dulled the public conscience toward the fullest appreciation of the crime of arson. It is the difficulty of obtaining a conviction in the courts of our country in arson cases. This difficulty has resulted very largely, I believe, from the misunderstanding of the crime. It has been easy for certain types of lawyers to play upon the sympathies of the average jury because the men comprising the jury had the common conception of the relation of insurance companies to the public, and this fact has in many cases contributed materially to acquittals. In some instances even the agencies for the suppression of crime and the enforcement of law have been so misrepresented and abused before the jury as to appear to be a part of a machine for the oppression of the poor and unfortunate. This is an unhealthy condition that in the nature of things will not long endure, but will be eradicated by a general knowledge and a thorough understanding of the subject.

The public does not, I feel certain, knowingly look lightly upon any crime. When it has been thoroughly informed as to the nature of incendiarism it will set about the eradication of this crime as vigorously as it has other crimes against society. To achieve this end there must be no weakening in the forces which stand for law and order. The time for the greatest effort is at hand and the agencies for carrying to the public the information which will break down indifference and misunderstanding are the various avenues which may be reached through the press. The time for passive resistance to the crime of arson has passed. Activity along the whole line is necessary. The battle cannot be won in a month nor in a year. But if all agencies interested,—including the local associations of credit men, whose interest is amply established,—keep everlastingly at it, the public conscience can and will be aroused. When that is done the plague of incendiarism will have been wiped out.

The Rationale of Insurance

Insurance Should be a Gamble for Neither Insurer Nor Insured

By Henry Swift Ives

Secretary, Casualty Information Clearing House, Inc., Chicago, Ill.

THE first duty of an insurance company is to remain solvent. Insurance is a device to remove the economic consequences of uncertainty, and there can be no real insurance unless the risks of uncertainty are negligible. The insurance carrier which takes chances it is not prepared to meet in the event of disaster is a gambling institution, and the insurance buyer who patronizes such a carrier gets a contract which makes him a participant in the hazards of the enterprise. The uncertainties of business cannot be properly diminished by any system of insurance which is itself risky, or by purchasing insurance from an unsound carrier of any class. Substituting one risk for another risk does not eliminate risk.

The three chief considerations which the purchaser of casualty or fire insurance should take into account, in the order of their importance are: Quality, Quantity, Price.

Quality may be defined as the solvency of the underwriter, including its ability and willingness to pay just claims, its probable continued ability to pay losses the settlement of which may be long deferred, and the service it is prepared to furnish.

Quantity includes the terms of the contract offered, its conditions, the amount of liability assumed by the insurer and the reciprocal obligation of insurer and assured.

Price embraces the rate and total policy premium paid for the protection offered.

It unfortunately is true that these three factors often are considered by the insurance purchaser in the inverse order of their importance. Astute business men sometimes look at price first and even last, and relegate quality and quantity, service and security, solvency and sufficiency, to a comparatively minor position.

CHEAP INSURANCE EXPENSIVE

Cheap insurance may be obtained with the same ease as cheap shoes, but it never is better than the price paid for it, and it often is expensive at any price. It matters not what system of insurance is to be patronized or what kind of insurance is required, the first consideration should be quality and the second quantity, and with these two in mind it easily may be determined whether the price asked is a fair one considering the quality and quantity of the contract offered.

And it must be remembered that these factors are interdependent. Cheap insurance, insurance freely advertised "at cost," and insurance which the promoters declare is sold without "profit to capital" must of necessity be of inferior quality and insufficient quantity or it could not be sold at a price less than that charged for insurance which is universally admitted to possess the factors of quality and quantity to a superlative degree.

It must be remembered that insurance is not an ordinary commodity. With a manufacturer of cloth or hardware, responsibility ceases after the sale, except in so far as he may be called upon to replace defective merchandise. In the case of insurance, the thing actually sold is the responsibility

itself. Insurance policies are direct liabilities of the insurer, and the more it sells the greater the possibilities of actual financial ruin, from which it is protected only by the law of chance or averages backed by adequate capital and reserves. And it is this law which the promoters of and participants in insurance "at cost" and other similar schemes often forget to their sorrow, for it is a law which cannot be long ignored and which needs continual watching.

INSURANCE AS LONG TERM CREDIT

Take the general casualty lines, particularly workmen's compensation as an example. This business is one of the long term credits, that is the carrier holds the money of the assured until such time as losses are determined and due. As a result losses often are not liquidated and cannot be liquidated until many years after the policy has been written. Sometimes they are not known for a year or more, and then even it is impossible to compute the exact amount which ultimately must be paid out. Thus it can easily be seen that any carrier which hopes to succeed must charge such rates as will permit it to build up proper reserves to meet the future demands. Any loss rate, no matter what other economies may be effected, spells disaster in the long run.

Many organizations, however, which purport to write "at cost" insurance, take advantage of the fact that in the compensation and liability lines cost of the settlements are deferred until after the year the policy covers. This permits them to pay out of any year's premium income the necessary proportion of the losses incurred during that year, together with such losses of the previous year that may fall due. Such a plan provides no proper reserves for future liabilities and is possible only when each year's business is greater than that of the preceding year. But when the break comes this pyramiding must cease and the organization is faced with a host of unliquidated claims for which it has no proper reserve. Then disaster to policyholders is inevitable. The experience of many of the fraternal life insurance companies for a period of years in their formative period tried to cheat the expectancy tables, and then were compelled to double or treble their assessments or go out of business, is somewhat analogous.

The all important loss reserve may perhaps be defined as a sum which is sufficient to mature every outstanding obligation, known or unknown, on account of all events which may lead to an insurance loss and which happened before the date as of which the reserve is being computed. In workmen's compensation the reserve required is generally 65 per cent. of the rate charged, because experience has shown that approximately 62 per cent. of the rate demanded by the more reliable and

substantial carriers ultimately is paid out in the form of losses. And this requirement is based on the sound theory that ability to meet all obligations, present and future, out of income legitimately applicable thereto is a prime test of solvency. However, many of these so-called "at cost" insurance promoters evade this test in a clever manner. Instead of reserving 65 cents out of every dollar received they reserve 65 per cent. of the cut rate, which of course provides a reserve less than safety requirements demand, for the experience of all classes of carriers has been tabulated in arriving at the average loss out of every dollar paid.

SURPLUS FUND SHOULD BE LIQUID

The surplus fund is also important for a business man to consider when he is choosing an insurance carrier. This is an amount set aside for extraordinary eventualities, to guard against calamities and catastrophes of all kinds. If it is not substantial in amount and is not represented by prime securities and cash it is of little avail in case of need. A surplus composed of notes of policyholders is almost valueless when collection time comes.

But in addition to surplus and reserve requirements there are other matters which must be considered when choosing an insurance carrier. The business man may obtain his insurance from a stock company, or he may insure himself by joining a mutual or a reciprocal. The former involves no obligations except the payment of the stipulated premium; the latter contemplates that he assist in paying the losses of all other subscribers and that he render himself liable to an assessment for all claims which cannot be made good by the use of the funds available for that purpose. At the same time if he has any loss he must depend upon his fellow partners in the insurance venture to meet it for him and to stand an assessment if need be in his behalf and for his particular benefit. That is the essential difference between the two types of insurance organizations, the stock company and the so-called co-operative, and each purchaser of insurance is free to take his choice. But before doing so the buyer should be sure to analyze thoroughly the solvency and efficiency of both types, with particular reference to quality and service first, quantity second and price third, remembering that if price be too low the only salvation of the carrier offering insurance below standard costs is the skimping of quality, service and quantity, and sometimes even that does not save them.

As to the matter of price, the business man may rest assured that there is such a vigorous and dynamic competition between all sound insurance carriers that cost charges in all lines have been cut to the lowest point compatible with quality, service and solvency. So accurate are these price determinations, based on experience, that

any material deviation from them continuing over any considerable period is almost certain to lead to financial difficulties.

If the American business man would think less of first cost and more of the quality of insurance he is purchasing, the service which goes with it and the kind of coverage he is getting, there would not be so many complaints against the insurance business as a whole. Most of these criticisms can be traced directly to the inefficiency, lack of foresight and even deliberate law evasion and dishonesty on the part of those who are engaged in peddling so-called cheap insurance. Those who really want insurance which actually insures, insurance in which the first cost is the last, insurance without danger of assessment and insurance which is backed by adequate service, should be careful to analyze studiously the standing, reputation, reserve and surplus status, service facilities and kind and extent of coverage offered by the carrier soliciting their business. They may have to pay a trifle more at first, and only a trifle, to obtain all these things but I think that they will find it most satisfying to know that they are insured and are not insuring themselves, and someone else at the same time, even if at a slightly lesser first cost.

COST OF INSURANCE LOW

There has been some criticism of the service and acquisition cost items which go to make up the price charged for sound insurance. The fact is that the margin between what the purchaser actually gets in intrinsic value for his money and the price he pays is narrower in the fire and casualty insurance business than in any other I know anything about. As an illustration, out of every dollar paid in the United States to the stock casualty companies for workmen's compensation insurance, 62 cents ultimately is paid back by the carriers in the form of claim settlements. In other words, the inherent and intrinsic value of such a policy is 62 per cent of the purchase price, leaving out of consideration all service features provided for the benefit of the assured. The balance of 38 cents is accounted for by the cost of organization, distribution, acquisition, service, all possible overhead charges, profits, if any and the like. The 62 cents returned is the basic and intrinsic value of the contract sold. In it there is no loading for labor, profits or capital. It has the same relation to the purchase price as has the value of the tree in the forest to the price of the desk, or the iron in the mine to the price of the steel beam.

A congressional committee has been making a study of costs and distribution charges. It has found, for example, that out of every dollar spent by the consumer for bread, the wheat grower gets only 28 cents; out of every dollar spent for a suit of men's clothing the raw materials cost 28 cents; out of every dollar spent for a certain brand of breakfast food the raw material producer gets only 21 cents; out of every dollar spent in the purchase of shoes the raw material involved is only 38 cents. The balance in each instance has been absorbed by many profit-taking way stations, labor charges, overhead costs, taxes and the like.

The basic and intrinsic value of what the consumer gets for each dollar he

expends for such articles is in reality the value of the raw material entering into them. The remainder is what he is assessed for having this raw material fashioned to suit his needs and delivered for his use, wages for labor, profit for capital, taxes and other items included in each transaction. The real value of a dollar spent for compensation insurance is comparable with the real value, in their natural state, of the raw materials going to make up the commodities of trade. When the buyer of insurance protection gets a 62 cents basic value out of every dollar he spends for compensation insurance, he is getting only 28 cents out of the dollar he spends for bread and clothing, 21 cents out of every dollar he spends

for breakfast food and 38 cents out of every dollar he spends for shoes, and these proportions hold good in many other insurance lines.

If shoes, clothing, foodstuffs, hardware, furniture, steel or any other similar commodity were to be sold to the consumer with the same narrow margin between the intrinsic value of the thing sold and the price paid therefore as is insurance the whole economic structure of the world would have to be readjusted. In my opinion, an insurance policy issued by a sound and reliable concern is the biggest bargain on the world's trading counter and the purchaser gets more value for his money than any other business can offer.

Credit Men Prevent Fire No Others Better Qualified for Work

By Oscar Venable

Chairman, Insurance and Fire Prevention Committee
Atlanta Association of Credit Men



OSCAR VENABLE

I HAVE had some experience as chairman of the Insurance and Fire Prevention Committee of the Atlanta Association of Credit Men, which I believe may prove interesting to the credit men everywhere and particularly to those who receive appointments to their local committees on insurance and fire prevention.

When President Percy of the Atlanta Association told me that my place for the year was to be on the Insurance Committee as its chairman, I demurred, for I could not see any worthwhile thing the committee could do. As I began to plan, however, I found so many possible avenues of effort, especially along the lines of fire prevention, that I felt reluctant for this new reason to take the job.

"NO SMOKING" SIGNS

I went at it, however, and began by mailing circular letters to all members in which I called attention to the most common causes of fire. I asked them to clean up their places of business; I offered to deliver "No Smoking" signs; I emphasized the fact that rates were high in Atlanta because of the great fire losses and I offered to make inspections and give suggestions which might tend to lower rates. This letter was followed up the next month with one calling attention to the advantages of using fire extinguishers and offering to supply any make at wholesale prices.

Responses to these letters were most encouraging. There were requests for about 200 "No Smoking" signs, about 50 requests for fire extinguishers. One factory took my messages to heart and installed a sprinkler system.

I had the good fortune of securing T. Alfred Fleming of the Conservation Department of the National Board of Fire Underwriters who came to Atlanta and delivered a pithy address at our monthly meeting; and Franklin H. Wentworth, secretary of the National Fire Protection Association, who followed Mr. Fleming, also created a deep impression. I had the members aroused; and I found that credit men will exhibit a decided interest in fire prevention, as I believe any people will who have the matter properly called to their attention. The local press as well as the insurance journals gave good publicity and showed a willingness to help.

When we were through with our campaign there was still much to be done, but we are planning to continue and carry forward our campaign of education.

The principle conclusion I reached in the course of my work was that the committee should steer clear of old outworn methods and launch a campaign of its own making. One of the greatest results will come in the form of moulding public sentiment which will pave the way for better building laws and more rigid fire inspection by municipalities.

The greed for volume of premium income on the part of insurance companies and agents is clearly the cause of a great many fires. It is recognized by all fire insurance men that a large percentage of fires is of incendiary origin. A better class of qualified agents and a more rigid inspection by companies will surely prevent many of the "crooked" fires.

Now that I have seen what can be done in Atlanta, I am ready to say that an insurance committee of a local association of credit men can do effective work, and I urge that every local credit men's association take up this matter seriously without delay, because there is no other organization so well equipped to get results.

Inspection for His Plant Make Your Debtor Guard Against Fire

By T. Alfred Fleming

Supervisor, Conservation Department, National Board of Fire Underwriters, N. Y.

THE substantial evidence of a country's stability is its volume and value of commerce. Commerce is to the largest extent dependent upon credit. Credit is affected by many conditions—general experience, moral standing and financial ability are frequently considered as paramount. These are, of course, determining factors, but there may also be found a great credit leakage through unreliable maintenance of operation. Concerns have developed a strong credit standing, which through changes in management, in personnel, have weakened their reliability through incompetency or inefficiency. The personnel of the management of the plant is, therefore, an important element and the manner of housekeeping a matter of first consideration.

The stability of the insurance contract for protection, and the full knowledge of its terms and coverage are matters of importance. Too few have taken time to determine the conditions of the coverage contract or the ability of the company to pay in case of loss. No credit manager should overlook this consideration.

One of the important features of plant maintenance most frequently overlooked is the necessity for a continuous checking up of physical conditions which might cause loss.

CAREFULLY GUARDED PLANTS SELDOM BURN

Manufacturing or mercantile operations are classified in accordance with their diversified processes and equipment. Some are infinitely more hazardous than others, but in all the element of intimate knowledge of conditions is an important item for consideration. Experience has demonstrated that carefully guarded plants seldom burn. Towns where an element of personal concern for safety has been engendered seldom have a conflagration. Indifference breeds carelessness, and carelessness is the cause of 90 per cent. of all losses.

A superintendent who is worthy of the name should have an immediate and personal check on everything that affects production. Report blanks are filled out by foremen setting out work accomplished and orders to be filled must depend upon the status of these reports. What happens to the orders, the foremen and employees if the plant burns? In what condition will the finances or the credit be? It may readily be seen that of paramount importance is the question of inherent hazards upon which all must depend. What daily knowledge has the superintendent of these? Many good managers have seen the wisdom of a continuous check on safety and have installed a carefully compiled self-inspection system whereby each foreman makes out daily a survey slip of the condition of his department with respect to fire safety, and the night watchman in making his rounds inspects the entire property and makes a report of all. These reports supply the superintendent with a per-

sonal check on foreman, night watchman and plant. He, in turn, makes out weekly his summary for the management, generally after personal survey.

ORGANIZED INSPECTION WORK

At the request of many large and varied industries the National Board of Fire Underwriters compiled a most comprehensive "self-inspection blank," with which every business man should be acquainted. It covers every feature of maintenance and general housekeeping, the hazards of heating, lighting and electrical equipment, the protection of fire doors, traps, shutters, escapes, fire apparatus, fire pumps, tanks, reservoirs, city pressure and sprinkler systems. It has proven its value to hundreds of large concerns keeping a constant check not only on the plant and the employee but also increasing the efficiency of the personnel. A sample copy

of the self-inspection blank may be obtained from the CREDIT MONTHLY.

The determination of the credit of any concern should include a knowledge of its management's attitude towards that which affects its general condition or the danger of loss by fire. All other things being equal, an investment in the credit of a firm is infinitely safer in an operation where care and attention is given to inspection than in the firm where all the energy is spent on production. If these conditions were more uniformly considered as necessities for proper and satisfactory credit standing, it would be a great incentive for all organizations to install such a system.

THE CUSTOMER'S INTEREST in fire insurance and prevention is frequently an index of his foresight and of his appreciation of his obligations to creditors. For this reason the credit man is keenly alive to the customer's attitude towards insurance.

—THE EDITOR.

Fire Inspection Bureaus Deserve Backing of Credit Men

By C. Albert Gasser

IN no organization, except the Military and Naval forces of the United States, is there to be found so great a spirit of American push, ambition, energy and desire to accomplish quick and definite conclusions and results as in the ranks of our municipal fire departments. Let there be a fire at any time, in any town, no matter how great the danger, there is instant, strenuous and heroic effort at fever heat until the fire has been washed down and the chief laconically orders, "Take up."

This is true largely because in our carelessness and wastefulness as a people and in our lack of foresight in protecting ourselves from the ravages of fire, we have staked life and property upon the efficiency of our fire departments. And notwithstanding our tremendous annual losses the men in the rubber boots and rubber coats have never failed us. They have fought to the death to save but have often been confronted with conditions that, for a time at least, seem to exceed human control.

Conservation agencies, insurance experts and fire officials in the larger cities have been doing some work in the last twenty or thirty years that carries great promise. They have been digging under the surface of our fire records to learn the causes of our heavy losses. In full knowledge of the fact that disregard of fire prevention and fire precautions have given us conflagration hazards that might be classed as public criminality, they have striven to educate the American people to realize that it is better to build well than to burn well and that the time to think of saving property from fire loss is before the fire starts.

No military commander in battle

waits for the announcement from his outposts that the enemy has arrived before he plans his campaign. He has made all his arrangements not only for offensive but also for defensive action. In fire matters we have undertaken only half the program. We have planned what to do when fire actually confronts us but we have taken little thought, as a nation, of what to do to prevent the fires from happening. Of course, municipal fire departments are not included in this statement, but they have been at work for a relatively short time only, and our fire hazards have been accumulating compound interest for the last hundred years.

UNKNOWN HAZARDS

Existing fire hazards are not discernible to the average citizen. He does not know that a dump fire may spread its sparks and start a conflagration like that of Chelsea, Mass., nor that an inadequate water supply may imperil a community. He does not know that an ordinary business occupation in an old frame building in a frame tenement neighborhood may render hundreds of families homeless overnight. He does not appreciate the fact that not enough stairways in a building may develop into a Collingwood tragedy. Nor does he realize that his own personal carelessness in a thousand and one trivial instances and matters of untidy housekeeping in factory, office or house, may readily lead to the loss of life or millions of dollars worth of property.

No, the average citizen does not realize American conditions. If he thinks about it at all he merely shrugs his shoulders and says, "I have never had a fire. But, even if I do have a fire I am covered by insurance." Nor does the average municipal official in the

small or middle-sized community realize the dangers all about him.

But the fireman knows. He has been brought face to face with just the conditions that cause fires. He knows when he looks at a frame dwelling over a frame garage or gasoline filling station, or at a moving picture auditorium in a frame building or above the ground floor that he sees a fool combination. He knows that rubbish is a hazard anywhere, anytime. He knows what ought to be done. But he too shrugs his shoulders and says, "These things are not prohibited and it is my business to put out fires, not to make ordinances."

That is true; but if firemen made inspections and kept records of such inspections for the eyes and brains of fire chiefs,—if fire chiefs reported such information to the municipal officials,—it would not take long to get definite action, especially if backed up by well-directed public opinion, such as resolutions by the local credit men's associations, etc. And, given a city with fire prevention ordinances, it seems clear as crystal that inspections and corrections by members of the fire department follow as a matter of course.

It is, perhaps, too early to quote figures in substantiation of the statement that in every city having fire inspection bureaus, where fire prevention inspec-

tions are made by members of the fire department, there has been less loss by fire than there would have been had such inspections not been made. Any one fire may in its loss easily exceed all records and seemingly indicate generally negative results. But it must be remembered that we cannot rebuild our cities overnight, and we must, for the next generation, at least, pay the penalty for our fathers' sins of omission and commission.

There will be no great reduction in loss of life and property in the United States for the next ten years. It will take a time—a long time—before we can properly cauterize the national wound of carelessness. Every community or municipality which neglects to do its full fire prevention and inspection duty is keeping this wound open and the bigger these neglectful towns grow the longer must we suffer as a nation and pay, pay, pay.

Improving a Concern's Credit Why It Pays to Take Fire Precautions

By Alfred R. Tilly

Gordon, Roberts & Co., New York, N. Y.

THERE is many a merchant debtor who is taking the eternal chance of a heavy fire loss because the high cost of insurance gives the excuse for carrying too little insurance. Someone, in fact, has said that not one concern in fifty is adequately insured. Surely it is part of the work of the credit man to bear in mind his debtor's responsibilities in the matter of insurance.

There are cases where no practical remedy for high insurance costs is available; but for most concerns there are methods the adoption of which will make it possible for a concern to carry the same amount of insurance for less money or more insurance without added expense. These methods range from closing up small holes in walls and floors or removing a small gas range from a dangerous spot, at a cost of perhaps ten dollars, to the installing of a sprinkler system which, of course, runs into greater expense.

I know a garage which reduced by more than \$250 its premium of over \$2,000 per annum, based on insurance of \$110,000, by making minor changes such as are referred to above and by prohibiting smoking on the premises.

A sprinkler system which I saw installed in a Brooklyn chocolate manu-

facturing plant changed the insurance figures in this interesting way:

In the case of the chocolate company, notice the remarkable drop in rate on stock from \$.220 to .294 cents and on buildings from \$1.54 to .222 cents. Oftentimes, a manufacturer by adopting the sprinkler system, instead of having to worry about getting his insurance placed, finds the insurance companies coming eagerly to him! They want his insurance business, for he has transferred his plant into a property most unlikely to become a total loss. If fire starts it is extinguished automatically at the very start.

It would be possible to go on and make up a long list of protective methods that can be installed and bring a saving year after year, and therefore put concerns into a stronger credit position. The reason the insurance companies are willing to pay well in lower rates for the improvements is that they figure that the risk of fire loss is reduced far out of proportion to the cost of installation. For years, the insurance companies have been studying the weak features of different classes of risks and are willing to reward liberally for the elimination of those weaknesses which cause fire or tend to the rapid spread of the flames.

Developing My Chief Assistant

To the Editor of the CREDIT MONTHLY.

Sir:

I have read with interest in the Monthly columns what credit men have been saying regarding the facilities that have meant the most to them in dispatching credit work. I want to add under the study of this subject that that which has meant most to me has been my first assistant whom I have been training these many years right up into my position.

My observation is that few men are giving their assistant a real chance to develop and few who are taking a real interest in building their first assistants up by pointing out weaknesses that are hindering their growth and preventing efficiency and by trying to bring out their strong points.

I am astonished to find how few credit men are making an effort to throw the assistant on his own resources in exercising independent judgment, to build him up into an effective and affecting letter writer, or to bring out the ability to act quickly and intelligently in case of emergency.

I have seen many a credit man rise to new successes on the shoulders of the first assistant, but the chief has developed those shoulders and broadened that back by making the assistant do just the right sort of exercise.

No credit man is growing who is afraid of his assistant. No credit man is fair to his house who is not encouraging the younger man with new ambitions; who is not urging the acquiring of better equipment for his work or is failing to lead the assistant into the broader aspects of credit work.

I believe in my first assistant and I want him to grow into the completeness of his possibilities.

ALBERT STEPAN,
Western Wholesale Drug Co.,
Los Angeles, Cal.

COST OF SPRINKLER INSTALLATION

Sprinkler Installation	\$3100.00
Tank Erection	897.00
Plumber Work	250.00
Carpenter Work	165.00
	<hr/> \$4412.00

COST OF INSURANCE WITHOUT SPRINKLER PROTECTION.

Building, \$31,000. @ \$1.54 per \$100 per annum	\$477.40
Stock & machinery, \$41,000. @ \$2.20	902.00
	<hr/> \$1379.40

COST OF SPRINKLER MAINTENANCE AND INSURANCE WITH SPRINKLER PROTECTION

Central Alarm	\$200.00
Sprinkler Leakage Insurance (\$5,000)	50.00
Fire Insurance, Building, \$31,000 @ \$.222	68.82
Contents, \$41,000 @ \$.294	120.54
	<hr/> \$439.36

SUMMARY

Cost of Insurance for one year without sprinkler	\$1379.40
Cost of Insurance and maintenance for one year with sprinkler protection	439.36
	<hr/>
Saving in insurance cost in one year	\$940.04
Saving in insurance cost in five years	\$4700.20
Cost of Sprinkler Installation	4412.00
	<hr/>
Cash in hand at end of five years after installation is paid for	\$288.20

Audited Statements

Added Protection Secured by Them

By W. B. Richards

IF there is misrepresentation, the statement received by a credit manager from a merchant debtor is misleading, if not worthless. But assuming that men are honest and intend to pay the debts that they contract, it often happens that statements furnished by the applicant are not reliable, because of ineffective methods and loose systems of accounting.

When prepared by public accountants, who have the point of view of disinterested outsiders and who from wide experience in different classes of business know the essential points of information required for the giving of credit, statements of the condition and operation have an important place in the decision of the credit man. He is relieved of the uncertainty always existing, where statements are prepared by the applicant himself, and becomes more confident and certain of the wisdom of his decision.

The use of statements prepared by public accountants is already general in the case of banks and bond houses. Some wholesalers, jobbers and manufacturers are also finding public accountants' statements of great value to their credit managers in arriving at accuracy of decisions.

WHAT THE CREDIT SHOULD TELL

The prevailing practice of public accountants in making audits is to make a balance sheet audit rather than a detailed audit. In the balance sheet audit the assets and liabilities are verified but usually little attention is paid to the nominal accounts, which ultimately go into Profit and Loss. The credit manager will need and should require other information than that usually contained in a report on a balance sheet audit. Such information could readily be obtained by the accountants at the time that the balance sheet audit is being made and at only slight additional cost. The balance sheet audit should give the following information procured in the customary manner as to verification by public accountants:

1. Cash on hand and in banks should be verified and the amount stated. This is usually the first item in Current Assets.
2. Notes Receivable should be classified to show separately those that are past due and those that are current. Further, the source of the note should be given, that is, whether it was received from a customer for an account or from an officer or employee for money withdrawn or advanced.

Accounts Receivable should be classified to show separately those that are for goods shipped and those that are personal. Accounts past due should be stated showing the time overdue, that is, whether 30, 60 or 90 days or more. The percentage of accounts overdue is useful in order to form an opinion of the business capacity of the applicant for credit, as well as to show the slowness of collection of his accounts. Reserves for bad accounts and notes should be created and deducted on the statement from these items.

Inventories should be stated at cost, or at cost or market whichever is lower. This is an important item in

the current assets for it can easily be overstated. A question that will arise in the mind of the credit manager is this: Does the inventory consist of goods which could readily be turned into cash on short notice, or does it include novelties of doubtful demand or a considerable quantity of old and obsolete stock?

The public accountant's statement should answer such questions. It would be of advantage to have the inventories actually taken or certified to by public accountants or engineers, a procedure which is now often followed in the case of bank credits. This would give assurance that the inventory valuations on the statement would be at a conservative rather than at an inflated figure.

Stocks and bonds or other assets, bought for resale, should be included in current assets. The cost is the figure usually shown on the statement, but the market value where procurable should also be shown.

Accrued Interest Receivable, as well as other items of like character, should be determined and included in current assets.

The credit manager will find it interesting to know the ratio of current liabilities to current assets. The first item in current liabilities is usually Notes Payable. This account should be analyzed to show the amount in favor of banks, separately from the amount due purchase creditors or individuals and, if any notes are past due or have been renewed, that information should appear. If trade acceptances or other trade paper obligations have been incurred, the fact should appear.

Accounts Payable should be stated to show the current accounts separately from those that are 30, 60 or 90 days or more overdue. When properly prepared by a public accountant, the credit manager can readily determine from such a statement the likelihood of prompt payment of an account. If any accounts payable are secured, the part should be stated.

Accrued items payable such as taxes or payrolls, should also be included in current liabilities. The ratio of current liabilities to current assets is an important factor in determining the advisability of extending credit.

Banks and bondhouses frequently require appraisals by engineers of the plant, machinery and equipment, but the commercial credit manager is not primarily concerned in the security for long time credit which is given by the fixed assets, less the corresponding depreciation reserves. He is interested, however, in knowing whether or not any of the accounts receivable have been hypothecated or any other assets have been pledged for loans, and if there are any contingent liabilities. All of this information should be shown on statements prepared by public accountants in the balance sheet audit.

The commercial credit manager will usually require other information than that given in the ordinary balance

sheet audit. Some of the information that will be found of value, in arriving at decisions as to credit is:

1. A statement showing the sales and cost of goods sold covering a period of years will throw light on the rate of turnover and the gross profit on sales. While past sales are more or less of historical interest, yet unless the unexpected happens it is reasonable to judge the future by the past and to anticipate a continuation of sales of at least equal volume.

2. A complete statement of income will show, in addition to gross profit on sales referred to in the preceding paragraphs, the expenses as well as other items of income credits and deductions. It will be of interest to the credit manager to know how much the applicant for credit pays for rent and for interest on borrowed money. The relation between the sales and the expenses is one of the most important bases for granting credit.

3. A report by public accountants will give a line on the character and ability of the applicant for credit. It will show evidences of good judgment or bad on past occasions. For example, it will answer the question whether or not in the past, when sales fell off, the expenses were likewise ratably reduced.

4. It will likewise be of interest to the credit manager to know the prospect for increased trade in the applicant's business. This information can be supplied by public accountants from their knowledge of trade conditions supplemented, if necessary by a study of the peculiar conditions governing each case.

All information, necessary to arrive at a proper conclusion in the granting of a line of credit, can be obtained with a maximum of certainty by public accountants. In assigning work of this character to public accountants, the credit manager should prescribe the information desired beyond that contained in the report on the usual balance sheet audit. He will thus obtain unprejudiced statements and reports, based upon conditions as they actually exist, and be able to withhold credit, where it is undeserved, and to save his house many of the losses, which so frequently occur because of the general reluctance of business men to put checks on trade by restricting credit.

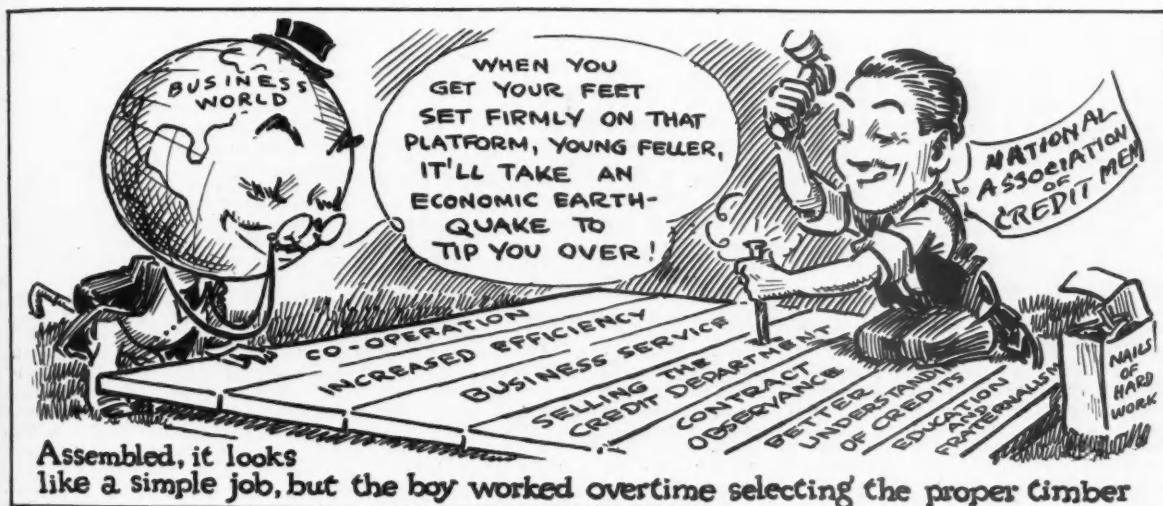
AUDITS MAY PREVENT FAILURES

A large percentage of failures are caused by lack of knowledge by the owners of their financial condition and by imperfect accounting systems. By a more general use of the services of public accountants, credit managers would assist in bringing about that increase in accounting efficiency which would be so potent in preventing losses from over-extended credit. To operate without sufficient information as to our financial condition and as to the amount and source of profit or loss, places the business man in a dangerous position and invites losses to those who extend him credit.

Credit managers would obtain from the use of the services of public accountants the most accurate information obtainable. They would be better able to limit the credit lines of those who are ever ready to take advantage of liberality in the granting of credit and who rush headlong into that inflated condition of over-trading, in which a failure to liquidate only increases their losses. Furthermore, the credit manager could be more certain that he was giving proper credit lines to those who deserve and appreciate the proper use of credit.

The Credit Man's Platform

Adopted at the 27th Annual Convention of the National Association of Credit Men



THE 27th Annual Convention of the National Association of Credit Men adopted a credit man's platform constructed of the following seven planks:

1. **CO-OPERATION.** The real meaning of the word co-operation is not yet clear to all in credit work. To many it seems like a garment to be put on and taken off at convenience. We must recognize that co-operation has meant more to our progress than has any other factor. Co-operation must control in credit work. It must be unmistakably expressed in the interchange of information, in the handling of embarrassed estates, in the liquidation of insolvent concerns, indeed must be the controlling force at every step in credit workmanship.

2. **INCREASING EFFICIENCY.** Efficiency is translated into the word production. Increased efficiency means a larger production of constructive ideas, better systematizing of credit transactions, the lopping off of unnecessary waste that arises so frequently because of unwise chances taken. Efficiency embraces also improved mechanism for the credit department, a study of department mechanics, modes that the work may move smoothly at the smallest cost of labor and time.

3. **BUSINESS SERVICE.** The credit worker must recognize that his chief occupation is not to separate the sheep from the goats and collect amounts as they mature. His better skill can be expressed in the *making of merchants*. Thousands of failures occur annually because the credit man with the right vision has not appeared to show the wrong direction, that his ship is steering straight for the rocks. Business

service depends on the credit manager, who must discover weaknesses in merchant customers and point out how defects may be remedied. No higher call can be made on credit intelligence than the field of business service.

4. **THE CREDIT DEPARTMENT.** Selling the credit department to other departments of the enterprise. In too many instances the credit department is not sold to the credit manager himself. In a larger number of cases the credit department is not sold to the sales department, purchase or executive department of an enterprise. This is a serious mistake, calling for earnest attention if the enterprise is to enjoy that unity throughout so essential to its success. I should be an important objective of the manager to have his department understood by all other departments, particularly the sales department. In this way only will the credit department, instead of being rated, as it so often is, a non-productive and insignificant department, will emerge as a productive and guiding force of the business enterprise.

5. **CONTRACT OBSERVANCE.** Building up the backbone of the credit profession must be a part of this platform. Contract observance should be the slogan of the credit department, to be observed by its own enterprise and by customers. We can drift into immoralities by glossing over the violations of contracts. The word of an American business man should be as firm as Gibraltar's rock. It is a part of the credit task to insist upon contract observance even though the immediate reaction in many instances might be unpleasant and some accounts may have to be lost. It is better to lose many accounts than

to violate or permit the violation of contracts.

6. **A BETTER UNDERSTANDING OF CREDITS.** Credit is the least understood of all business elements. It is frequently understood even by credit workers. How can we be intelligent in our workmanship, avoid blunders and fatalities in business when credit is so generally misunderstood? One of the strongest planks of the credit man's platform must therefore be the cultivation of a better understanding of credits,—to understand that credit is the atmosphere of business, is the builder of capital and wealth, is governed by inexorable laws that cannot be violated without exaction of serious penalties. The credit manager must be a student, must know fundamentals, and then become a missionary to others. It will be a happy day in America's business when credit is better understood and treated as its laws and principles demand.

7. **EDUCATION AND FRATERNALISM.** Aside from knowing the fundamentals of credit, the credit manager should be an all round student of affairs, should include in his hours of work a certain period devoted to sound reading, to appropriate journals relating to his line of trade, to his own professional magazine, the *CREDIT MONTHLY*, to books that will increase his knowledge of events and develop his powers of reasoning and character analysis. As a part of his educative scheme the credit manager must be fraternal, must take more than a superficial interest in the affairs of his association and other bodies where more can be derived than mere entertainment.

Japan Will Curb Profiteers

By Y. Shudo

Acting Commercial Attache, Japanese Legation, N. Y.

WE are most gratified for the prompt activities of relief work and deepest sympathy shown by the people and the government of the United States.

A splendid attitude of co-operation and helpfulness has just been expressed by one of America's steel companies. In the *Journal of Commerce*, September 13, the American steel makers' attitude was described as follows:

"American steel makers intend to treat the Japanese most fairly. One company has inaugurated a three point policy, so to speak:

(1) It will make deliveries on steel requested as soon as possible, giving preference to Japanese demand.

(2) It will not raise prices or otherwise take advantage of the situation.

(3) It will guard carefully against selling steel to speculators.

In Japan the Government promptly issued an ordinance for the strict control of profiteering and proposes to deal severely with those that try to take advantage speculatively of the present economic situation. The Government does not propose that any one shall profit by the distress caused through this calamity. *THE CREDIT MONTHLY* asks whether the arrangements made

by the Government for the purchase of material to rebuild the devastated areas include the reinforcement of the credit of Japanese importers by the credit of Japan. It is impossible at the present time to discuss the plans of the Government with regard to such purchases because the plans themselves have not yet been formulated.

What is likely to happen, however, is this: the Government will designate certain concerns to do the purchasing that has become necessary, and this official authority will carry with it a kind of endorsement of those firms which will largely increase their credit.

When the urgent needs for food stuffs, clothing and temporary shelter are met, in part through the fine generosity of friendly nations and their people, the time will come, and soon,—and it will last for many years,—for the purchase of steel and other building materials. The steel-and-cement structure is no novelty in Japan, but according to recent information the manner in which American-designed buildings have withstood the earthquake will, without doubt, give a powerful impetus to the use of American materials and methods throughout the country.

It is probable that a loan will be floated to take care of the necessities of Japan. Such a loan, if placed in the

United States and Great Britain, or elsewhere, would doubtless carry with it provisions for the spending of all or part of the sum in those countries. Such expenditures might well change the position of Japan with regard to the United States in the scale of exports and imports. The natural tendency of the total imports of a country to balance its total exports might well increase to a great extent the amount of goods shipped into the United States by Japan. Japan is now the third on the list of countries which send goods into the United States. She is surpassed in this respect only by Great Britain and Canada. Japan's position as a buyer of American goods is now fifth on the list of nations. As for the other side of the picture, in 1922, the United States sent us 32 per cent. of our total imports; and 45 per cent. of our total exports were shipped to the United States. America is Japan's largest customer.

Japan has on deposit in New York and London and at home supplies of gold which give her a very strong position. The disaster is a frightful one: I believe that when the returns are all in it will be found that one billion dollars in property has been destroyed and that not less than 200,000 lives have been lost. But the friendly attitude of the other nations and above all the strength of the Japanese character will bring Japan through this catastrophe and in a few years will place her in a stronger position than ever.

Reliability of Japanese Merchants

By P. K. Murdock

Bryant Electric Co., Bridgeport, Conn.

THE question of the reliability of Japanese merchants is one that naturally crops up at this time. For humanity's sake, we all have the desire to be liberal to a stricken nation. We should therefore make sure that our liberality is sufficiently sprinkled with good business common sense.

The experience of my company in dealing with Japanese firms has been most satisfactory. The matter of time payments has never entered into the establishment of initial transactions. Irrevocable letters of credit have been willingly given and only after a Japanese firm has established its integrity by long and continued relations on this basis, have we been approached on the subject of time payments.

We have found that the Japanese are no more prone to copying designs and imitating our materials, than any other people, and we believe they have gone far in recent years in living down whatever reputation they had in this line. The only copying that they appear to have done is that of the well known unpatented principle that "Honesty is the Best Policy." We believe they are more meticulous in this respect than are many others, because of their desire to wipe out this impression.

Based on our own experience, therefore, we have a high regard for the reliability of Japanese merchants. Although there may be a few isolated instances where the Japanese disaster will be perhaps overplayed, we cannot but feel that, by and large, Japanese firms will be as meticulous in this respect as they have been in others.

September 15, 1923

Granting Credit to the Japanese

By C. Matsuura

Mitsui & Co., Ltd., New York

ANSWERING the inquiry of the *Credit Monthly*, I may say that credit must naturally suffer a certain degree of contraction as a result of the catastrophe in Japan. The long death list, the enormous material destruction, and the nervous shock to the entire country are sufferings that even a strong commercial community cannot sustain without some agitation.

Those who sell to Japanese merchants are likely, it seems to me, to be asked to extend credit on more easy terms than heretofore. When they are dealing with the big, long-established Japanese firms whose credit record, built up through years of satisfactory dealings, is excellent, they probably will not hesitate to lengthen their credit terms. When it is a question of smaller firms, they will undoubtedly go into every case with special care and will decide each on its own merits.

This increased credit liberality which I anticipate on the part of American business will, in the long run, never be regretted. Japan is financially strong, and moreover she understands the incomparable value of a first class credit rating.

Those who have confidence in Japan and the Japanese and act, with due discrimination, upon that confidence, will gather the fruits always enjoyed by far-sighted and courageous business men.

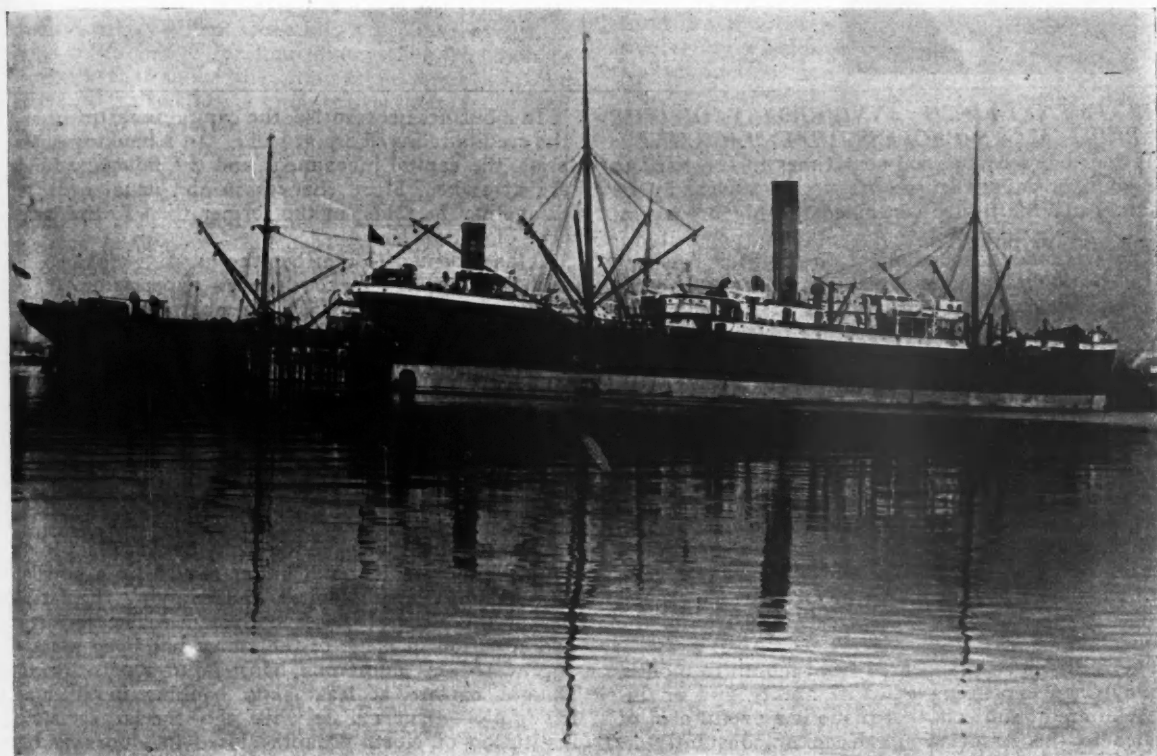
September 14, 1923

Credits on Board Ship

Admiralty Laws Present Special Problems

By F. J. Carpenter

Fairbanks Morse & Co., Baltimore, Md.



(c) Underwood & Underwood

It has often been a cause of astonishment to me to find how few there are among those who extend substantial credits for supplies and materials for use on boats, who have any grasp on the laws covering such transactions. If you are engaged in a line which extends substantial credits for materials sold to boats, you will get some bitter experiences unless you learn the rudiments at least of Admiralty Law and see how it differs from state laws governing ordinary credit extensions.

Vessels as they ply from port to port are constantly passing, or may pass, from the jurisdiction of one state to the jurisdiction of another. Congress, therefore, has enacted special laws to cover the doing of business with such vessels, and to govern their acts. These special statutes comprise what is known as Admiralty Law.

To show how different in operation maritime matters can be from the usual run of transactions, let me but cite one case in which I was principal. A bank made a loan of several thousand dollars to the owner of a vessel. The owner was to use the proceeds for remodeling the boat. The bank, in making the loan, took as security an ordinary mortgage on the boat, the ton-

nage of which was less than 200 tons gross.

Certain of the notes applying against the sales price of the engine sold by my house failed to be paid on due date. We libeled the boat (admiralty term) and an order of sale was entered to liquidate the indebtedness representing the balance due on the engine. The bank intervened on the grounds that it had a prior claim against the boat by reason of the mortgage. Although the bank's loan was made prior to the sale of the engine, the court held that the engine manufacturer should receive, out of the proceeds of the sale of the vessel, the balance due on the engine before the bank could participate. The point of law involved was that the bank took as its security a mortgage on the vessel, while the manufacturer was able to show, by the form of the notes taken, that he had depended on the maritime lien. Inasmuch as the maritime lien has in many cases been held to be superior to the ordinary mortgage on boats of this type, the bank had to take a substantial loss, while the engine manufacturer received payment. This, it can be seen, is at variance with the usual results where transactions are conducted under state statutes.

Now Admiralty Law differs in many respects from the state laws with which credit managers are best acquainted. One of the most important principles involved is that of security. I believe that it is advisable, where the credit risk is not good in the usual accepted sense, but the business offered seems to be desirable and profitable if security can be gotten, to rely on the security represented by the boat itself. This is preferable to the security represented by a conditional contract of sale, wherein title to the materials furnished remains in the seller until payment has been made, because under the Federal Statutes governing Admiralty procedure, no definite provision is made for the filing or recording of such contracts in such manner as to constitute proper notice to others, and thus make such contract valid as against third parties.

It is important to note that under Admiralty Law claims for the material furnished a boat have preference in shall be paid for first, next to the last inverse order—that is, the last material next and so on, and again that a maritime lien for supplies or wages, when perfected, has preference even over an

(Continued on page 29)



The Credoscope

By J. H. TREGOE

THE TWENTY-FIFTH ANNIVERSARY OF THE CREDIT MAN'S PROFESSIONAL MAGAZINE

It does one's heart good sometimes to run back to the younger days when so many things were in the making and the future contained the bigger part of life.

The National Association of Credit Men was one of the Nation's big commercial movements. It came at a time when commercial energy was expanding and limitations were painfully apparent in our credit facilities. We needed a credit technique to develop our commerce. We needed this technique so that commodities could be sent from one end of the Nation to the other without regard to creditors' physical locations.

After the Association had passed into its second year, the idea of a Bulletin forged to the front, was officially favored, and there appeared a very simple publication each month edited by the Secretary, Messrs. Boocock, Prendergast and Meek successively, until 1907 when William Walker Orr became associated with the work and was placed in charge of the publication.

The Bulletin, as it appeared from month to month, displayed an expanding editorial ability and an interest in credit subjects that made it a useful arm of service to the Association. Keeping constantly in the forefront of credit commerce, the Association was always in growing pains and never reluctant to broaden its old departments and add new forms of service as credit interests required.

After considerable deliberation, a larger magazine was determined upon, and the Bulletin was transformed into the CREDIT MONTHLY in April, 1920. Rodman Gilder became associated with the publication as Managing Editor.

The scope of the CREDIT MONTHLY, its increasing usefulness, its attraction to credit readers have become generally recognized; and we feel very proud to offer this token of appreciation on the twenty-fifth anniversary of the Association's official publication and the credit man's professional magazine. The editorial work reflects always an appreciation of news values, an ability of composition and a humanity of interest that have made the CREDIT MONTHLY one of the most highly prized and useful instruments in the Organization's activities.

May it ever occupy a commanding position in the credit world!

MORE REAL BANKERS—AND FEWER BANKS

Serving as a depository of fiduciary funds and using these funds with prudence and skill require a different type of ability than is called for in the production and distribution of commodities.

In a business enterprise, the capital investment and the credits received are at stake. In a banking enterprise, the capital investment and the fiduciary funds are at stake. More chances in the usual order of things can be taken in the former than in the latter type of enterprise.

It has seemed to me that the banking business in our country has lacked proper supervision. The banks operating under national charters are in number less than one-third of the commercial banks. In some of the states where population is sparse as compared to that of the older districts, banks chartered with small capitals could not by the widest stretch of imagination hope to succeed unless very long and speculative chances were taken in loans and investments. It is these chances that a bank should not be permitted to take and that, from a sense of honor, should not even be considered.

I am confident we have too many banks. The people could be more safely and better served by a smaller number with larger capital, and enjoying the facilities of the Federal Reserve System. The farmer's bad situation in some of the states has been merely aggravated by numerous bank failures. In North Dakota, of late, at least sixty banking institutions have failed. But a little while ago, the largest state institution of North Dakota closed its doors owing depositors approximately \$800,000 and with but little prospect of repaying even a small proportion of its indebtedness.

It should be a matter of pride for the states to establish very strict standards for the chartering of banking institutions; not alone should the capital be requisite, but the character of the promoters should be closely scanned. Whenever an institution is launched that has not the proper qualifications back of it, then some innocents are likely to suffer, and the competent banker is forced into unnecessary and unfair competition.

I believe emphatically that this question of banking ought to be more scientifically and seriously handled by the states. How to better our system of banking has been a moot question since the first decade of the Nineteenth Century. The opposition of the poorly organized and controlled banking institutions to sound banking methods and control has helped in a large measure to keep us from having in this department the most practical and useful methods.

It is surprising that the facilities of the Federal Reserve System, so uncontested in value and so ample in extent, should be availed of by no more than one-third of our commercial banking institutions. So long as this situation continues, so long as the business of banking is deeply controlled and supervised, just so long will opportunities be dissipated and we

must continue to contend with impractical and unsound ideas.

Combining our banking resources in one system would do so much to further our progress and protect our various interests that it seems almost criminal that there should be so many independent institutions and that the incompetent institution be permitted to remain as a continuing menace to communities.

A POOR PRACTICE

Reasonable chances can never be divorced from credit work. When accepting a promise of future value in exchange for immediate value, the human elements that make the promise acceptable in the exchange transaction are subject to emergencies and at times the best intentions are disappointed.

Taking unreasonable chances in credit work cannot be justified by even a desire for volume. Every order is entitled to some kind of inspection. The established credit relieves the order from any particular inspection, but an order of this type even should not be accepted in an offhand fashion.

Let me tell you of a neat little game that has been played of late. Well-rated concerns do at times become insolvent or go into bankruptcy. The good rating remains in the reference book until the next volume is published. Orders have been broadcast over the names of such concerns, and in many instances executed because of the good rating.

Our Investigation and Prosecution Department has been called into action several times of late on cases of this kind. The perpetrators of the fraud cannot be charged with illegally using the name of some other concern, for as a matter of fact through insolvency or bankruptcy procedure the enterprise to which the rating was assigned has passed out of existence.

I calculate that volume built up at the expense of disorderly credit practices is not so profitable as a smaller volume representing carefully thought out credits and subject only to a normal loss. I don't term cases of this kind accidents, I term them deliberate foolishness. If one falls accidentally into a deep stream and is rescued, he can be condoled with but if one deliberately jumps in the stream and cannot swim, when rescued he ought to be severely thrashed.

The orderly credit manager must be able to give a reason for every risk he sponsors.

LABOR GETS MORE THAN IN PRE-WAR DAYS

A recent series of articles, over the signature of an industrial official, claimed an inequality in the distribution of our national income. The articles were intended to prove that labor was not receiving at the present time a proportion of the national income equal to what it received in the pre-war days.

Statistics are frequently misleading and particularly so if the premises are bad. Has it been possible since the beginning of time to distribute income according to number and not according to production? May we not just as well become resigned to the natural fact that seeming inequalities are characteristics of human society and yet on critical scrutiny the inequalities may prove nothing more than deductions from incorrect premises? Some people undoubtedly receive more than they earn. Where this happens inequality may be justly charged. Production, however, from the very beginning has controlled income, and the distribution of income may be complained of at times to no greater purpose than did some soldiers in the little army of David, when those assigned to

guard the camp received as large a proportion of the spoils as those who fought the battle.

In my opinion, labor in this nation is better treated and is offered better opportunities than the labor of any nation of the world. The abilities of labor to indulge luxuries is one of its outstanding features. I do not believe the contention of the writer referred to can be sustained in the present standards of living and the present wage scales of labor. We have been very indulgent of labor, and to the extent that it has grown quite arbitrary and hardly ever willing to demand less than its pound of flesh. Labor, I believe, is receiving a larger share of the income from industrial production than it did in the pre-war days.

Labor is growing to be one of our most difficult problems in production; and it is very foolish in my judgment to advance the theory of inequalities when turning to the agricultural field and realizing that the producers there are paying prices for their supplies out of proportion to the prices they are receiving for their products, largely because of the high labor costs in the manufacturing world.

Unless labor will co-operate and be satisfied with its just share so that commodities can be produced in competition with the commodities of other nations, and our living costs brought to a more comfortable standard, we shall have serious economic problems and be badly hampered in our progress.

THE MAN WRAPPED UP IN HIMSELF

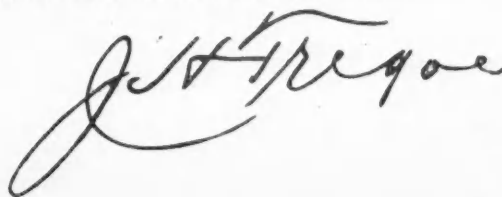
Walking along the other day, I happened to glance upon a bulletin board and read this epigram: "A man wrapped up in himself makes a very small package."

Self-absorption undoubtedly leads to contraction. Only as we lose thought of ourselves and take thought of others do our dimensions grow. I think this motto very appropriate at the present time when there seems to be so much self-concentration. The eternal question nowadays seems to be, "What can I do to give myself pleasure or bring profit to myself?" The best of Books says "he who loses his life shall find it."

How wonderful it is to associate with others, to realize the other fellow's viewpoint, to work with him even though our judgment may be a little rebellious!

As it is for an individual—so is it for the Nation. If our country becomes wrapped up in itself, it will make a very small package. Even with this readily discernible truth, we are urged to watch our own affairs exclusively, to allow our neighbors to drift as they will. To feel as high and as broad as the universe is a happy sensation that we cannot enjoy except as we give up self-absorption and realize that there are others beside ourselves in the world. A little wrenching may be needed to break the old moorings and cast us into entirely new currents, but it will give great satisfaction to realize that there are other people bigger than ourselves, that there are spheres other than our own.

Introspection is useful only as it may lead us to appraise our needs and place us where the best we have is at the service of our fellowmen.



Yearly Fire Tax We All Pay

Useless Burden on Industry of \$500,000,000 Plus

By J. F. Van Riper

Branch Secretary, Norwich Union Fire Insurance Society, Ltd., N. Y.

DURING the past two decades few subjects related to our national life have had more constant thought and attention than that of conservation of our resources. The destruction of our forests and the waste of our natural water powers had become so prodigal as the result of free and unrestricted exploitation by private enterprise that they finally engaged the attention of our national and state authorities with the result that these resources are now under rigid governmental control in the interest of our people as a whole. This regulation also extends to vast areas throughout the country now set apart as great national parks; it also includes the matter of fish and game preservation in virtually all of our states; and during the late war, as we well know, sharp regulation of every factor contributing to food supplies was applied in the interest of conserving such supplies in a period of stress.

Strange as it may appear there is one important element in this matter of conservation that, until recently, has had comparatively slight attention except from those whose business has kept them face to face with it. This is the destruction of property by fire.

The importance of this element can be no more emphatically or forcefully illustrated than by the figures that record its magnitude and which should serve to impress upon the minds of all thoughtful citizens, as well as upon the administrators of governments, its effect upon our national wealth and the need of organized and systematic work for its reduction. These figures represent values of properties destroyed upon which insurance losses were paid, and of which very accurate records are kept, plus a conservative estimate for values over and above insurance and for property destroyed upon which there was no insurance.

In the year 1919 this amounted to \$325,000,000, or approximately \$900,000 a day; in 1920 to \$500,000,000; in 1921 to \$495,406,000; in 1922 to \$521,860,000, an average of about \$1,430,000 a day, or in four years a total of \$1,842,266,000, a per diem average of \$1,261,000.

FIRE WASTE INCREASING FASTER THAN POPULATION

In 1912 the per capita loss was \$2.16, in 1919 \$3.13, in 1922 \$4.67. From 1912 to 1922 our population increased 15 per cent.; during the same period the per capita loss through fire increased 120 per cent.

The relation of such a problem to the business of the Nation is not only important but vital for it means the absolute destruction of just so much of the Nation's wealth which can never be replaced, a great and far-reaching loss. It means the *withdrawal from productive enterprise of half a billion dollars a year*; for whether the value of such wealth is covered by insurance or not the fact remains that the people of the country must set apart from ordinary industrial and commercial enter-

prise the vast sums that go to make up insurance premiums out of which the replacement of such values as are insured are ultimately taken. That such a condition has an important bearing upon the general economic conditions of our national life is so self-evident as to require no argument for its demonstration. That it touches the foundations of every business enterprise and therefore should have the serious consideration of every thoughtful business man, and especially of the financial executives who make up the National Association of Credit Men, there can be no question: any condition that is so fundamental in its reaction upon our economic life must be reflected in all units of its activities. All elements of taxation—and this problem resolves itself finally into a huge matter of taxation, though it be of a purely voluntary assumption—must be absorbed by individual or corporate activity and carried as a great burden upon the shoulders of the Nation.

FIRE INSURANCE INCREASES FIRES

Were there no means whatever of recouping ourselves individually from the effects of such a stupendous loss, the volume of fire waste would shrink with amazing swiftness and in an amount that would surprise the most incredulous. Caution and a desire for safety would quickly develop habits of care and thrift that would transform the situation completely. The very means however that have been developed during the past two centuries as an agency for softening the shock and hardship are an indubitable factor in increasing the evil, and, because of this fact, have established a relation to business enterprise and imposed upon it a responsibility that are well worth serious attention. We are alluding to the matter of insurance which in its psychological effect upon our people has produced an extraordinary complication of the problem. It is indeed amazing how many people look upon insurance as a sort of magician's reservoir from which all destroyed property is recreated, rather than a clearing house system for collecting from the many, contributions for the benefit of the few with the result that if the wealth of one is destroyed he is simply levying upon the wealth of others as a toll for his benefit. The wealth of one is gone while the wealth of others is reduced through redistribution.

The practical effect of this condition has been to produce in our national life not only a condition of much carelessness and indifference but frequently a condition of moral turpitude which is next to criminal, and in many instances actually criminal.

Every month the investigations and records of every insurance office prove that the possession of ample insurance is a direct incentive to the willful burning of property that the collectible insurance funds may serve to remedy financial difficulties that

could not otherwise be met. Many efforts of this nature are frustrated but many more are not. The volume of fire waste is greatly increased from year to year through dishonest acts. A paradox lies in the condition that the agency for alleviating hardship and suffering operates oftentimes to increase it, because while the burden sometimes falls with unusual rigor upon certain individuals,—such for instance as those who, without insurance, may suffer damage through the dishonest acts of others,—nevertheless the Nation as a whole likewise suffers a decrease in wealth.

No condition affecting the Nation's life so seriously as this can be brushed aside as inconsequential. No man liveth unto himself; and social contacts of which business relations are but one expression imply responsibilities. It would seem therefore that one of the first duties of every credit manager should be to take account with himself and determine whether his own standards and dealing are such as contribute to the correction of this great national waste, to find out whether the housekeeping and arrangement, the equipment and administration of his business are such as to conserve the properties in which he is interested and preserve them from all possibility of destruction by fire. This he owes to his fellow citizens not only because of the national aspect of the matter but because the destruction of his property either through wilfulness or carelessness may mean irreparable loss to his neighbor.

EASY CREDITS: EASY INSURANCE LOSSES

The credit manager should also recognize a duty not to extend credit to others in his line of business in such manner that the very facility he offers may serve as a temptation to the weak or dishonest to overreach themselves and then resort to a fire for salvation from financial loss. If manufacturing and jobbing houses, if banks and trust companies who negotiate commercial paper would scrupulously follow such a course much of the existing difficulty could be eliminated, for there is no question whatever that easy credits make easy insurance losses.

HEAVY COST OF FIRE DEPARTMENTS

Another important consideration is the growing burden of taxation for fire departments. Multiplying fire waste means constant development and increase of fire-fighting apparatus and constant extension of systems of water supply. It may astonish some of the readers of the CREDIT MONTHLY to learn that there were several occasions during the past winter in New York City when the number and frequency of simultaneous fires were such as to strain severely the endurance and efficiency of the fire department, the greatest and most efficient department in the world. Such a condition would

(Continued on page 44)



The Complete Invoice in One Operation!

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HOME OFFICE: HANOVER BUILDING, 34 PINE STREET, NEW YORK

Insuring the Key Man's Life

(Continued from page 10)

life insurance to a corporation for the protection of credit.

Julian Myrick, one of the leading managers of New York, told the writer that recently there has passed through his office the case of a man of 65 who has three sons, aged 40, 37 and 30, each of whom is the head of a department in his great business. He has insured each son on the ten year endowment plan, buying life insurance protection and accumulating a sinking fund at the same time. Two of the sons are insured for a million each; and one of the sons for \$500,000.

The late A. R. Spier, who was chair-

man of the committee on use and extension of life insurance for credit, of the National Association of Life Underwriters, once gave eight reasons why corporation or partnership insurance should be carried for compensation in some degree for the loss of the master minds which kept the physical property efficient. Here is the gist of these reasons, of which number 6 opens up an especially interesting line of thought:

1. To tide over the shock following the death of some man vital to the business, and to compensate for the additional expense of finding, installing and training his successor.
2. To safeguard the credit of a concern.
3. To protect endorsers of company paper.
4. To protect a business against the death of one who is endorsing the paper or backing it financially.

5. To protect special debts or obligations of business.
6. To provide a fund which, if desirable, could be used in acquiring the deceased's interest in the business for the survivors.
7. To provide a fund which in an extreme case will make liquidation of the business easy.
8. To give an incentive to create a special surplus fund or cash asset.

SMALL BUSINESS NEED INSURANCE

Small business needs life insurance to build up and maintain credit just the same as do medium-sized and big business and if the insurance agents of America (who are inducing Americans to take billions of insurance this year) have fallen down in any way, it is because they have not recognized this principle and have not covered as many of the small business concerns as they should.

J. Stanley Edwards, of Denver, at one time president of the National Association of Life Underwriters, in an address on insurance for credit, said recently:

The one-man business, big or little, needs credit insurance even more than the partnership or corporation needs it. First, because it is usually less able to comply with collateral loan requirements. Then, too, the human equation looms larger in the lender's mind in such cases. The skip of a few heart beats may mean the wind up of the one-man business or of its being turned over to an untried son or other relative. Also, that intangible but vital asset, good will, is always more important and more easily impaired or wiped out in the one-man business. We learn that over 90 per cent of firms that fail have less than \$5,000 capital. The small business man is in desperate need of insurance protection.

Then there is the one-man business of the professional type, the business of the teacher, the doctor, the lawyer, of brain workers in general. The professional man's investment is in himself, not in a stock of goods. Death wipes out everything but books and papers and possibly a few office chairs, a desk and an office rug. These may bring a few dollars from a second-hand furniture man; but a business income equivalent to 5 per cent on one million dollars may be wiped out by death over night. Bills receivable are likely to be offset by bills payable. And, on top of this, the last act of everyone at death is usually to create an additional debt.

In dealing with partnerships, the important thing for a partner to know is that the death of either partner terminates the partnership. Unless there is a specific prior agreement to the contrary, the surviving partner must close up the business and settle with his dead partner's heirs. Even if he should stay with the business, he must share profits with the heirs whether or not they are competent or useful to the business or agreeable to him.

EVEN THREE WOMEN BETTER THAN THREE LAWYERS

Life insurance can do much to save the small business. An example is given by Mr. Hunsicker, already quoted. He tells of the case of a corporation of which only three active men are left, A, B and C, each owning \$20,000 worth of stock. The widows of D and E also own \$20,000 of stock. If either A or B or C dies, leaving his estate to the widow, the control of the corporation will be in the hands of three women. But, worse than that—the real control will probably be in the hands of three lawyers, the attorneys for these widows. Thus, the business would be controlled by attorneys instead of by business men, and the ultimate fate of the concern can be imagined. With the control in outside hands the active men running the business lose heart or become disgusted and eventually the business is liquidated or absorbed by a competitor.

Bradstreet's once printed a table giving the four principal causes of business failures which showed that in 83 per cent of business failures the human and not the material equation prevails. "Plants and physical equipment can be replaced: human machinery can not be." That is what Andrew Carnegie said.

2

00

Japanese-American Commerce Will be Stimulated by Purchase of Materials Here

By M. Hanihara

Japanese Ambassador to the United States

ALLOW me first to express my gratitude for the opportunity of addressing the members of the National Association of Credit Men at a moment when the relations between the business elements of Japan and America are possibly more important than ever before.

It may be worth while, at this time of uncertain and conflicting reports from Tokyo, to state definitely that the chief Japanese banks there resumed operations within a week after the earthquake. Their buildings practically escaped damage and the contents of the vaults were intact. At the same time the larger commercial firms were able to continue their accustomed transactions, although the scene of work was transferred in some instances to Osaka or Kobe.

It is evident that the demand in Japan for American materials for rebuilding the devastated area, will stimulate the commerce between the countries, and if the many concerns connected with your association will continue as before their relations with responsible Japanese customers, they may be sure not only that these latter will have available their usual credit facilities, but that such action will greatly expedite the urgent work of restoring what has been destroyed.

Although this disaster has placed a heavy burden on Japan, you may be sure that she will undertake the task of rebuilding and repairing the physical damage with a zeal and energy greatly strengthened by the spontaneous sympathy and the marvelous generosity displayed by America.

Furthermore, in spite of the dreadful toll taken in Japan, and the sense of loss and horror that oppresses the country, it is certain that my people will respond unanimously to the noble manifestation of sympathy and generosity that America has made, and that a direct result of the catastrophe will be a tightening of the human bonds uniting the two countries in friendship and mutual trust.

震災、結果日米
兩國間、友情、信
頼、より更に緊密
ラレムヘシ

Translation: "A direct result of the catastrophe will be a tightening of the human bonds uniting the two countries in friendship and mutual trust."

Insurance and Fire Protection Their Importance to the Credit Man

By William Gregg

THE dependence of credit upon insurance is not new, but has been only narrowly appreciated until the National Association of Credit Men began its vigorous campaign for a better understanding of the science of insurance, twenty years ago.

Some measure of the Association's interest and efforts for better conditions and a wider knowledge of the subject in its many aspects is to be had in the declarations offered by the insurance and fire prevention committee and adopted at the Atlanta convention of the Association, June, 1923.

I

This Atlanta convention of the National Association of Credit Men appraises the work of its Insurance and Fire Prevention Committee as one of the most important phases of its work and urges upon local credit men's associations that they increasingly stress the subject by the appointment of strong local committees which shall be backed up by the substantial interest of local officers.

II

The local credit associations are urged to take a more and more important part in fire prevention activities, joining with other civic bodies in working definitely for a lower fire loss record for their home city and employing to this end the splendid scientific equipment and records of the engineers of the National Board of Fire Underwriters and the conclusions of the National Fire Protection Association, both of which organizations are ever ready to assist and co-operate.

III

This convention reaffirms the stand taken at a previous convention in favor of legislation extending the common law principle that a man is liable for damages resulting from his own carelessness so that it should specially cover fire loss, a principle embodied in the Pennsylvania laws of 1915 requiring that persons, firms and corporations shall pay the cost of extinguishing fires on their premises when it is shown that the fire was caused by criminal intent, wilful negligence or failure to comply with laws and ordinances for the prevention of fire.

IV

The convention approves the broadened activities and interests of the insurance committees, recognizing fully that life, liability, workmen's compensation and even fidelity and other forms of insurance are helping vastly to give poise and stability to our credit structure and that the possibilities and development of insurance service to credit are far from having been fully realized.

V

The convention approves the committee's purpose to watch legislation pertaining to insurance and particularly its purpose to oppose legislation that has for its object undue state control or state monopoly, it being of the utmost importance that radicalism and experimentation largely of a political nature should, in a matter of such vital public importance as insurance, be vigorously opposed.



SMOKE from every fire which swells the total of our country's appalling yearly loss, traces its message for all to read. But how many read it right?—***"Prevent preventable fires—75% are preventable!"***

Heed the warning! To plant owners it means modern Fire Prevention in the plant. It means expert advice on such Fire Prevention. It means in-

spection by only first class Fire Prevention Engineers.

This sounds expensive, but our staff of Engineers, which has earned an enviable reputation, is maintained at our expense for your service. An inspection and report on your property may lead to the elimination of dangerous unrecognized fire hazards. Even minor changes will often result in lower insurance cost.

You or your insurance representative can secure the details of this free service from our agent or direct from us.

AMERICAN EAGLE FARMERS of IOWA
The CONTINENTAL FIDELITY-PHENIX
FIRE INSURANCE COMPANIES
Eighty Maiden Lane, New York, N.Y.

FIRE, AUTOMOBILE, MARINE, TORNADO, TOURIST FLOATER, SPRINKLER LEAKAGE,
EXPLOSION, RIOT AND CIVIL COMMOTION.



ABILITY and WILLINGNESS to fulfil the terms
of a contract or agreement are the guarantees of
CREDIT.

The ROYAL possesses both qualities. Its record over
seventy-eight years of business activity withstands the
closest scrutiny and gains for it the highest rating.

AGENTS IN ALL CITIES AND TOWNS
IN THE UNITED STATES

DEPARTMENTAL OFFICES AT

ATLANTA, GA.
Milton Dargatz, Manager

NEW YORK
Frederick B. Kellam, Manager

BOSTON, MASS.
Field & Cowles, Managers

SAN FRANCISCO, CAL.
Rolla V. Watt, Manager

CHICAGO, ILL.
Elwin W. Law, Manager

Credits on Board Ship

(Continued from page 19)

ordinary mortgage placed against the vessel. This statement would not apply, however, in the case of what is known as preferred mortgages, authorized under a special Federal law in 1920, but preferred mortgages are applicable only to vessels of two hundred or more gross tons and of American registration.

SECURING PRIORITY OVER ORDINARY MORTGAGES

A maritime lien must, of course, be perfected by the filing of a libel against the vessel, and by obtaining from the Federal Courts an order for the sale of the vessel to satisfy such lien. These precautions having been taken, priority is had over any ordinary mortgage on the vessel, or any sales made to the owner personally, and not to the boat. On the other hand, even when this Maritime Lien has been perfected, liability for other supply liens, claims for wages, and damages in collision must be considered, although, of course, the danger of collision is practically nil, the boat being tied up in port under the libel proceedings.

It is advisable, when it becomes necessary to file a libel, to do so at such time as the vessel is light of cargo, otherwise the libellant may be responsible for such cargo and it would be incumbent upon the libellant to have the cargo transferred and promptly shipped to destination. To provide as far as possible against these contingencies, it should be determined if the boat be covered by insurance against losses. If full protection is not provided, libellant should arrange for insurance to avoid liability for the period the vessel is under libel.

BEAR THESE POINTS IN MIND!

Does not all this indicate that the following recommendations should be borne in mind and carefully followed? In the first place, that where a substantial credit to a vessel is contemplated the shipper should consult a reliable admiralty lawyer to be certain that his course is properly arranged. Again, the sale or contract should specifically be made to the boat and its owners, in such form as "S. S. _____ and Owners," and the contract should be signed in the same manner. It is imperative in the case of chartered vessels to determine whether or not the charter agreement specifically prohibits the person chartering the boat from using the credit of the boat for the purchase of supplies or equipment.

Next, it is important that any notes taken to evidence the indebtedness should be signed by the actual owner of the vessel, and that a clause be inserted therein to the effect that all parties to the note definitely agree that the notes preserve to the seller his maritime lien, and that acceptance of such note or notes shall in no way be construed as waiving or affecting the maritime lien which the payee may have now, or hereafter, secured against the vessel.

The next step should be to determine whether or not any mortgage has been filed against the vessel. This fact can be determined by inquiry at the Port of Documentation for the vessel, which is the nearest U. S. Customs House to its home port. If its mortgage is drawn in such form as to make it a preferred mortgage, the credit of the



Your Insurance Policy

is one of your most valued possessions. The test of its usefulness will be at the time when some sudden occurrence demands prompt and equitable action.

Norwich Union Service has long been recognized by discriminating business men who are conservative about placing their insurance and who desire full-est consideration in time of need.

NORWICH UNION FIRE INSURANCE SOCIETY LTD.

Hart Darlington, Manager

J. F. Van Riper, Branch Secretary

75 Maiden Lane, New York

NORWICH UNION INDEMNITY COMPANY

W. G. Falconer, President E. B. Thistle, Vice Pres. & Sec.

H. P. Jackson, Vice Pres.

75 Maiden Lane, New York

Fire, Tornado, Automobile, Sprinkler Leakage, Explosion, Rent, Use and Occupancy, Tourist Baggage, Riot and Civil Commotion, Liability, Burglary, Workmen's Compensation, Accident and Health, Golfers, Plate Glass.

*The Agent Who Seeks to Give Good Service
Must Himself Be Well Served*

COMPANIES

vessel is depreciated to the full amount of the mortgage. If, on the other hand, the mortgage is an ordinary one, the credit grantor should determine when payment is due, and should be assured that no foreclosure is contemplated which may be completed before a libel can be placed and the maritime lien for the supplies can be perfected. It is well, in arranging terms, to have several, if not all, of the payments due before the mortgage matures and is payable. It is also important to determine what, if any, other large supply bills may later be incurred by the vessel in the ordinary course. In this connection, the condition of the hull is an important consideration, as the rebuilding of the hull would cost a considerable amount and constitute a later lien with a preference as such. The seller should

also insist that the owner of the boat carry sufficient insurance against loss from fire and perils of the sea, and that the insurance specifically cover the seller's interest as it may appear in the goods sold.

THIS BUSINESS NOT UNDESIRABLE

I do not mean from all this that vessels or boats make undesirable subjects for credit terms. We see many concerns doing a profitable business in this line. The point I make is that such risks are surrounded by laws that make peculiar conditions. The seller must be sure that he has acquired all the legal safeguards. This is of prime importance because laws and conditions present themselves which seem to be the reverse of what we experience in the ordinary run of credit transactions.

Commercial Crook Meets Waterloo

By C. D. West ("Zephon")

Manager, I. & P. Dept., National Association of Credit Men

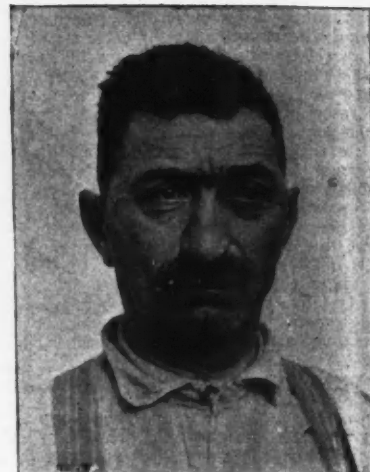
THE imagination of the creator of Sherlock Holmes cannot produce situations exceeding in deviousness the conspiracies frequently brought to light through the grubbing in of our Investigation and Prosecution Department. Most of the stories when thoroughly unfolded would read like the dime novels of old. A good example is that of "Sam Hayden."

In 1905, there landed on our shores from Russia a man whose name was then probably unpronounceable. But with the keenness of the Russian mind he realized that a good Anglo-Saxon name would suit his purpose better. He therefore appeared among us bearing the plain moniker of Sam Hayden.

In an entirely new environment and with his entirely new name, this import

into our country drifted on to Minneapolis, and, feeling perhaps the lure of the West, meandered into Idaho in 1910.

The days of the vigilants are happily over, else I fear Idaho business would have had a sensation. Establishing a store at Felt, Idaho, and another at Murray, Idaho, he evidently found that the profits of legitimate merchandising did not come fast enough for him; and he saw that the naïf good-heartedness of American wholesalers and manufacturers might be capitalized for a profitable conspiracy.



According to a credible witness, packing cases began to arrive in Felt, presumably filled with merchandise. One quiet day, the storehouse broke out in



blaze, the contents was consumed and Hayden collected from the insurance companies the snug sum of \$15,000. In the debris were discovered a number of boulders whose presence in the storehouse seemed at first inexplicable. The cases received at the Felt store had not, it happened, contained merchandise, but were filled with boulders packed in excelsior. These cases were repacked with merchandise and shipped to the store in Murray, Idaho. The merchandise actually consumed by fire did not exceed in value, according to the witness, more than \$800.

Having put this over without diff-

(Continued on page 32)

Seven Per Cent and Safety



"The People's Messenger"

WHETHER you can get seven per cent. on stock and be certain of the safety of your principal depends entirely on *what is back of the stock.*

American Telephone and Telegraph stock is based on the Company's ownership in the Bell System properties. These properties include the Associated Companies which earned 5.5% on a book cost of \$1,500,000,000. These earnings are conservative and their continuance may be assumed.

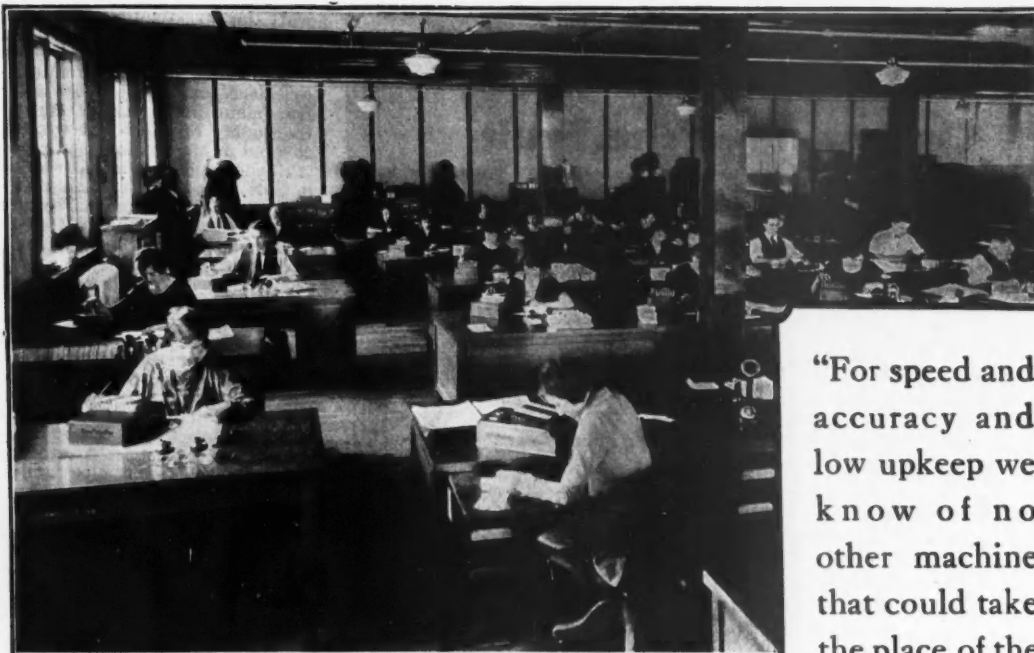
Its dividends and interest from stock and bonds of associated and other companies added to its other earnings, enable the American Telephone & Telegraph Company safely to pay 9% dividends on over \$700,000,000 stock outstanding. This stock can today be bought in the open market to yield about 7%.

Full information of this Seven-per-cent-and-Safety Investment will be sent on request.



BELL TELEPHONE SECURITIES CO. Inc.

D.F. Houston, President
195 Broadway NEW YORK



Comptometer Dept. of Continental Motor Corp., Muskegon, Mich.

"For speed and accuracy and low upkeep we know of no other machine that could take the place of the Comptometer"

THOUGH differing widely in their fields of usefulness, there is much in common between the Red Seal Continental Motor and Controlled-Key Comptometer.

Both were founded on faith in quality of construction and performance—both have kept pace with progress in development and improvement—both enjoy world-wide reputations for economical and dependable service.

All of which lends added significance to the statement of Mr. H. F. Beckstrom, Asst. Auditor, Continental Motors Corporation, Muskegon, Michigan, in which he says:

"For over sixteen years the Comptometer has been used in this office for all our payroll and cost work. For speed, accuracy and low upkeep we know of no other machine that could replace it.

"Since your Controlled-key model came out, it is difficult to get operators for machines without this control, as they like the protection against errors afforded by the Controlled-key."

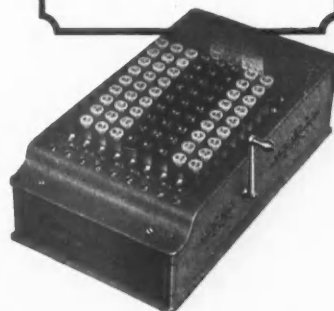
Let a Comptometer man show you what the machine will do on your work; or write for Better Methods of Handling Figure Work.

FELT & TARRANT MFG. CO.
1717 North Paulina Street, Chicago, Illinois

**The Silent Endorsement
of Repeat Orders**

The Comptometers here listed represent a long continuance of repeat orders from leading automobile builders.

Buick Motor Co.	45
Cadillac Motor Car Co.	42
Dodge Brothers, Inc.	69
Ford Motor Co.	150
Hudson Motor Car Co.	30
Chevrolet Motor Co.	91
Willys-Overland	37
Packard Motor Car Co.	35
Olds Motor Works	16



*If not made by
Felt & Tarrant,
it's not a
Comptometer*

CONTROLLED KEY
Comptometer
REG. TRADE MARK
ADDING AND CALCULATING MACHINE

*Only the
Comptometer
has the
Controlled-key
safeguard*

Gathering in the Fruit

The fruits of business success never ripen and fall of themselves. Immutable laws control them.

The fruits of nature are the natural results of soil, sun and rain in right proportions.

Profits, the fruits of successful business, are the natural results of *Knowledge, Management* and *Organization*.

Perfect fruits are no surer under the laws of nature than are *profits* under the laws of business.

Knowledge is the elimination of guess work—the heat and the light of the sun.

Management is a science, the fundamental principles of which change no more than the fundamental principle of soil or rain.

Organization is the machine, utilized and controlled by *Management*, to produce *profit*. Like nature it functions only when directed by *Knowledge*.

The Fruits of business success are *being picked* today by *managers who know*—whose methods are founded on the fundamental principles of *Knowledge, Management, and Organization*—as *immutable as the laws of nature*.

ERNST & ERNST

AUDITS — SYSTEMS
TAX SERVICE

NEW YORK	CHICAGO	CLEVELAND	INDIANAPOLIS	NEW ORLEANS
PHILADELPHIA	MINNEAPOLIS	BUFFALO	TOLEDO	DALLAS
BOSTON	ST. PAUL	PITTSBURGH	ATLANTA	FORT WORTH
PROVIDENCE	ST. LOUIS	DETROIT	RICHMOND	HOUSTON
WASHINGTON	KANSAS CITY	CINCINNATI	BALTIMORE	DENVER
	SAN FRANCISCO	MILWAUKEE	LOS ANGELES	

Commercial Crook Meets Waterloo

(Continued from page 30)

culty, Hayden looked around for new fields to conquer, and in 1922 removed to Salt Lake City. After establishing himself at one location, he opened a second store in Park City, Utah. Merchandise was freely bought and promptly paid for. His credit was established, and when feeling entirely secure, he proceeded to work another trick. Packages of merchandise, seemingly intended for buyers, were taken to a nearby station, but re-shipped to the second store. At the second store, these goods were sold at any price for cash, or they were taken from the store and concealed in Hayden's home.

When everything was ripe, Hayden appeared in the offices of the Inter

Mountain Association of Credit Men, plead insolvency and desired the Bureau to adjust his affairs. He claimed then to have assets of \$9,335. and to owe \$31,318.82. He had the effrontery to claim that the shortage in his financial condition was brought about by the defalcations of his son who had charge of the Park City store.

The situation did not smell very good to Mr. Sheckell, in charge of the Adjustment Bureau, and some of the local creditors. He refused to take the case for adjustment and sent a call to the Investigation and Prosecution Department of the National Association of Credit Men for an investigation. He received an immediate reply. A highly qualified investigator was assigned to the case, who was not very long in unearthing very suspicious evidence.

At the investigator's suggestion, Hayden was petitioned into involuntary bankruptcy. This action submitted him to the examination of creditors. Piece by piece and chapter by chapter the fraudulent intentions of Hayden were thoroughly revealed and witnesses discovered of his previous bad record.

Hayden had a very attractive home in Salt Lake City, a home that did not accord with the financial condition in which he claimed himself to be. He did not burn up his own home: he may have learned that in some states the crime of arson in the case of a human habitation is punishable with death.

The examination of Hayden in bankruptcy revealed sufficient evidence of his crooked methods and his schemes to defraud creditors to the extent that our investigator was entirely satisfied that an indictment could be obtained. The evidence was placed with the United States District Attorney at Salt Lake City, who took action and secured the indictment of almost the entire Hayden family. The evidence clearly revealed that Hayden had the assistance of his wife and two sons. They had worked the game together, and as so often happens with people of this stripe they were yellow enough to attempt to shift the blame from one to another.

While the indictment was pending, the local creditors' committee and Mr. Sheckell together worked most ardently on the case and left no stone unturned to bring about the ultimate conviction of this sweet crowd. The police authorities of Salt Lake City, suspicioning Hayden as a bootlegger, searched his home. Although no contraband was found, yet in the course of their search they encountered an attic cache heavily barricaded. They expected, of course, that the contraband was behind this barrier. They broke through it and discovered shoes, shirts, knit goods and other wearing apparel in great quantities. These goods were quickly identified as a portion of the stock originally in the Hayden stores and bought largely in the East. These goods had not of course been scheduled in the list of assets and at the trial of the case, the indictments of the wife and two sons were dismissed, as the Court believed they had acted under the instructions of Hayden. But Sam was found guilty and sentenced to four years in the United States Federal Prison at Leavenworth, Kas.

From 1905 to 1922, Sam Hayden breathed the free atmosphere of this country and abused its hospitality. He is now breathing the atmosphere of a prison, and we wonder if the lesson will be driven home. On his release will Sam resume his Russian name and cast his fortunes with the Bolsheviks?

This is one of the romances of business, a story of fraud, detection and punishment. The Investigation and Prosecution Department of the National Association of Credit Men is persistent when there is a crooked debtor to punish.

In the Sam Hayden case, the Adjustment Bureau of the Inter Mountain Association, the local creditors and the creditors generally are to be complimented for their persistency and their unwillingness to have so despicable a fellow go free. More work of this kind will free business of the parasite, of the fellow who trades on his nerve and dishonesty, of the dishonest immigrant who believes that a change of name and a little American veneer will bring him a fortune over night.



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Accounting
Machine
Equipped for
Ledger Posting

The Practical, Simple, Complete Bookkeeping Machine

It is simple. You don't need a special operator. Inexperienced operators learn quickly and easily.

It is speedy and convenient. The operator works in an easy, natural position, without physical strain. Complete visibility of work facilitates speed and accuracy. Direct mechanical method makes corrections easy without mental calculation, or use of complementary figures. Best of all, every operation—writing, adding, checking—is performed in one. The Remington is the fastest of all bookkeeping machines.

It is complete. It will do *your* work. It will do it in *your* way. It will give you every check that you need, every proof that you need—even to the final proof of the correct entry of the balance on each account. It completes and finishes every task. No supplementary operations are ever necessary.

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PARAGON Ribbons
made and sold by us*

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FOR BOOKKEEPING IN ALL ITS BRANCHES

A HIGH-GRADE Railroad Bond

We recommend for investment a long term obligation of the Union Pacific Railroad Company secured by lien on one of the nation's most important trans - continental railway systems, and legal for savings banks in New York, Massachusetts and New Jersey.

Price at the market to yield over 5%.

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A Business Man's Investment

He wants his surplus funds invested to yield him a good return. Yet he wants a non-speculative type of security—one in which he can feel complete confidence.

These requirements are fully met by the bonds of leading electric light and power companies. These companies supply a vital necessity for which the demand is steadily increasing. Public regulation insures sound financing.

We offer the bonds of leading companies in denominations of \$100, \$500 and \$1,000, at prices to yield from 5% to 7%.

Send for "Bond Topics" containing list of current offering.

Ask for CR 200

A.H. Bickmore & Co.
111 BROADWAY, N.Y.

Chicago Building Activity Increasing

THE FOLLOWING is a summary of replies from fifteen active members of the Building Materials Division of the Chicago Association of Credit men compiled by Sec. J. F. O'Keefe.

- (1) Percentage of capacity at which plant was operated in August: 81 per cent.
- (2) Number of men employed in August as compared with:
 - (a) January, 1923, 53 per cent. increase.
 - (b) July 1923, 27 per cent. increase.
- (3) Percentage of increase or decrease in total collections for August as compared with July: 12 per cent. increase.
- (4) Percentage of increase or decrease in total sales for August as compared with July: 6 per cent. increase.
- (5) Total amount of accounts overdue in August, expressed as a percentage of total accounts receivable: 20 per cent.
- (6) Percentage of increase or decrease in new accounts opened in August: 11 per cent. increase.



If Credit is the back-bone of business, Collections must be the wish-bone.

cCc

Speaking of golf, did you ever notice that a man with a 'Make it Snappy' sign over his desk will often consume the entire afternoon telling you how he made a birdie two on the third hole?

cCc

The September CREDIT MONTHLY contains a copy of a letter written to the government by a manufacturer of pants. It seems that the pants business isn't so good, and the writer failed to see why the government helped the farmers and wouldn't rush to the assistance of the pants mills. He clinched his argument with the terse statement that a man could go hungry for a while but simply couldn't go without pants.

He evidently overlooked the fact that our wheat is shipped to places which immortalized the story of the missionary who couldn't start a Christian Endeavor Society because there was no place on the natives to pin the badges.

cCc

The statement has been frequently made by numerous intelligent men and even some congressmen that we should allow our thoughts to wander outside our own city limits, or in other words, should think internationally.

Professor I. M. Nuttle of Dumbelle College, in an article appearing in the Police Razette, tells us that to do this properly we must not only think in terms of the customs and people of a country, but also in its native language.

For instance, Prof. Nuttle goes on to say, "To think properly of Italy, we must visualize the waving fields of macaroni, and the city streets lined with banana pushcarts, and banked on each side with shoe-shine parlors and hat renovating establishments.

"In order to enjoy a personally conducted international think tour," the Professor continues, "our minds must function in the language of the country. The only difficulty attending such a process being the fact that perhaps we couldn't understand ourselves, or, in less technical language, couldn't hear ourselves think.

"In the case of Italy, however, this difficulty may be overcome by carefully studying the menus in Italian table d'hote restaurants, providing of course that one is not fatally gassed by the garlic fumes or doesn't accidentally smother in a bowl of spaghetti.

"By similar token," states the Professor, "when thinking of China, we should picture its millions of laundries and chop suey palaces with beautiful sing-sing girls dancing the chow-chow under the rice trees.

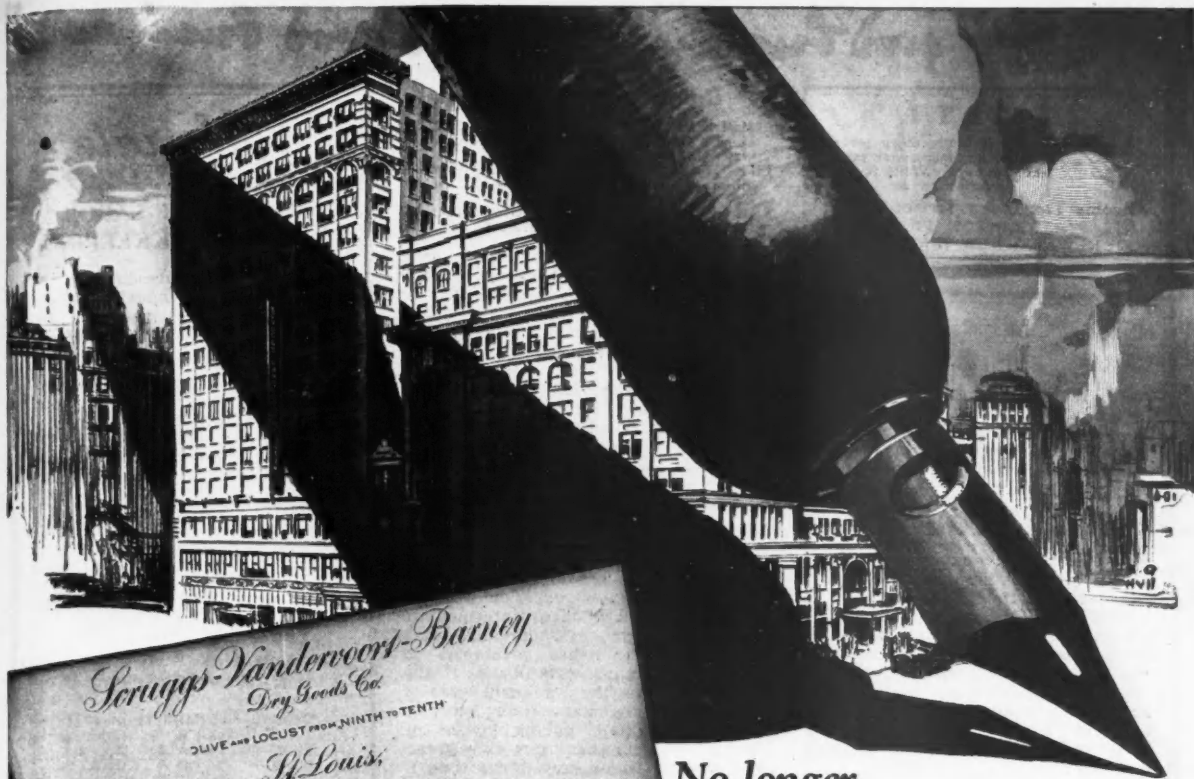
"Or in Spain, the towering olive oil wells and the subtle scent of Spanish onions wafted to the nostrils through the fandango bushes."

There is certainly great truth in Dr. Nuttle's remarks. How many of us have even given a fleeting thought to Gyktwkagook, the land of the Eskimos, whence the Eskimo pies are imported. In Gyktwkagook the nights are six months long in winter, and it is difficult to imagine a land where one could read a copy of the Congressional Record from cover to cover in one evening and where the plaintive cry of "send up a ten-cent piece, please" is never addressed to even the dumbest of dumb-waiters.

Thinking internationally is not only cheaper than travelling internationally, but considerably less dangerous. Which of us at some social gathering has not gritted his teeth at the experience of having Mrs. Smith, who has just returned from a trip to Cheko-Gobenis, discover inadvertently—and unfortunately—that Mr. Jones across the way has also been there.

With the thought of enabling its readers to export their thoughts more readily, Foam has prepared a number of pamphlets on various countries which may be obtained upon application, by enclosing a Ford car and six cents in stamps.

B. B. T.



Scruggs-Vandervoort-Barney
Dry Goods Co.

OLIVE AND LOCUST FROM NINTH TO TENTH
St. Louis.

Underwood Typewriter Company.
Prisco Building, Saint Louis, Missouri.

Gentlemen:

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Books on Investments

SIMPLE PRINCIPLES OF INVESTMENT—Thomas Gibson. Doubleday Page & Co. N. Y. 1920.—183 pp.

THE CYCLES OF SPECULATION—Thomas Gibson. Moody Magazine & Book Co. N. Y., 1917.—175 pp.

THE PITFALLS OF SPECULATION—Thomas Gibson. Moody Magazine & Book Co. N. Y., 1916.—184 pp.

OF all business men credit men should by their training be the most astute in making investments. In their jobs they are charged with determining in what businesses they will invest the goods or money of their credit granting houses. They must analyze the strength of buying houses. They apply diligently the tests Character, Capacity and Capital in their credit analysis. They study the financial statements of the buying houses in order to determine whether the houses are likely to redeem their credit promises, and thus maintain the investment of the creditor houses unimpaired. They know a good deal about the paying record of the houses in which they invest their company's goods, or in which they make their short or intermediate loans. They act in accordance with certain well-established principles in making these short-term loans. If the loans are large they demand greater security. If they make their loans to a large number of buying houses or debtors they feel that there is a greater security to their investment than if all their eggs were in a few baskets.

It is all the stranger, therefore, that some of these same credit men should in their personal investments proceed on an utterly different basis. The reviewer has been told that there are credit men who though applying the soundest principles in investing their company's goods are utterly reckless in investing their own private funds. They will invest in companies without knowing anything about the financial affairs of these companies, and even if they see the statements, in which the assets and liabilities are frequently balanced by a tremendous figure for good-will, they fail to depreciate the inflated items in them.

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Gibson's books on investment and speculation should prove to be valuable. Of the three books listed above, "Simple Principles of Investment" is the most general and educative. It is different from the type of book, of which unfortunately there have been too many, that purports to give the reader sure-fire tips on how to get rich quick. Mr. Gibson is conservative in his analysis of investments. The chapters on "When to Buy" and "When to Sell" contain a great deal of sound information and advice. The chapter on "Diversification of Investments" and "General Influences" should be helpful not only to the credit man who invests his own goods but to the credit man as an analyst of the financial statements of buyers' houses. Among the particularly valuable chapters from the credit analyst's point of view are the two chapters on the various classes of bonds and notes, acceptances, etc., which the credit man meets frequently in the financial statements of large concerns. The books have the additional merit of being interestingly written.

Aeroplane Mail Service

EUGENE S. ELKUS, The Elkus Co., San Francisco, first vice-president of the National Association of Credit Men, mailed a letter to the National office of the Association in New York on the afternoon of August 23. The letter was received at the New York Post office at 2:00 P. M. August 25 and bore the San Francisco post mark of August 24, 6:00 A. M.

The receipt of this letter by aeroplane mail presents an interesting illustration of the value of such service in bringing closer together the Pacific Coast members with their fellow craftsmen on the Atlantic.

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The Passing of the T. B. M.

Displaced by U. B. M., the Untiring Business Man Who Studies

By John Whyte, Ph.D.

Director of Research, National Assn. of Credit Men

WHAT would clever writers do without the Tired Business Man? Their stories and jokes about the T. B. M. have been among their most prolific sources of income. They picture him as coming home from a hard day's work void of ideas and interests, bent solely on amusement and diversions of a low-brow sort. He frequents musical comedy performances, or if he is too tired to leave home he buries himself in a slushy, sentimental novel or short story. Occasionally his higherbrowed wife or his modern children succeed in dragging him to a problem play dealing with some economic or social theme, or in educating him by a chapter in one of the Outlines of History or Science or Literature. His behavior on such occasions draws forth the cleverest shafts from the writers. Suave and genial in his business hours, he becomes under the compulsion of his wife and children a sullen, boring and economic, social, political and cultural questions are hopelessly stupid and inept.

There is no need to characterize him further. He is a familiar figure in fiction, and truth to tell he has been a familiar figure in life. Has been, for he is surely a less common phenomenon today than he was ten years ago. Today he has a serious rival in the U. B. M. The Untiring Business Man, after a hard day's work at business, comes home, not to rest or fritter away his time, (both of which occupations have justifiable places in the scheme of life,) but to prepare for the class he is conducting at some college of business administration, or to write out the answers to the problems in some correspondence course, or to read and study the fascinatingly written achievements in the realm of industry, science and politics. His evenings away from home he is just as likely to spend in some association meeting in the discussion of trade or industrial problems or Federal taxation or international affairs as he is at some musical comedy or other low-brow diversion.

If there are skeptics to question the fact of this change in the American business man they can be quickly silenced by the enumeration of statistical evidences. Among these are the tremendous growth of colleges of commerce, of correspondence schools of business, the rapid rise of large business houses dealing exclusively in books on business and economics, the wide and growing circulation of high class trade publications, and the ever increasing sales among business men of books dealing with the broader economic and social and political aspects of our civilization.

CAUSES FOR CHANGE

It is interesting to inquire at this point what the causes have been and



Our Book Department

The reading of business books will be stressed by the Credit Monthly beginning with this number. The Book Department will be conducted by Dr. Whyte.—The Editor

are for this change in the American business man. There is seldom a single cause for any event, and the causes for the change in the business man are many. Only some of the major causes can be noted here.

DEVELOPMENT OF BUSINESS INTO A SCIENCE

Among the chief causes that have made for the increase in reading among business men has been the gradual development of business into a science. If we accept the definition of science as "organized knowledge," it is surely not too much to say that prior to twenty years ago business as a science hardly existed. Of course, science and scientific methods had been used in manufacturing and production; but of the conduct of business itself little was known or written that had been scientifically tested and proved. Even the introduction of accounting principles,—in themselves, of course, a scientific achievement,—did not at first result in the reduction of the material of business to scientific conclusions. The internal relationships in business, the relationship of one business to another and to business as a whole, had not been made a subject of serious inquiry and investigation. For the most part business men learned about these relationships through their own experience, checked only occasionally with the experiences of other men. Thus, for example, they knew something about the

relationship of turnover to profit; something about the percentage of operating expenses in their own lines; something about the relationship of the various items in a financial statement. But they had no accurate knowledge of these subjects, for nobody had gathered sufficient material upon which to base averages and to draw valid conclusions.

BUSINESS EMPLOYING RESEARCH METHODS

Within the last twenty years business has become a subject of laboratory analysis and research. The same methodology of research that is used in other sciences, be they chemistry or physics or bacteriology or what not, began to be applied to business. The materials of business were gathered, analyzed and classified, and principles and conclusions stated after the impartial siftings and weighings common to scientific endeavor.

BUSINESS AS A SUBJECT TO BE TAUGHT

As a result of this laboratory method, business became naturally a subject which could be taught, and its introduction into the curricula of our colleges has been one of the outstanding phenomena of the last twenty years of educational development. The rapid growth of colleges of business education such as New York University School of Commerce and the Wharton School of Finance, and later of graduate schools of business administration such as Harvard, Columbia and New York University, to say nothing of the large number of newer schools throughout the country, are a recognition on the one hand of this development of business into a science, and on the other hand constitute the chief promise of its future and rapid growth.

THE GROWTH OF SCIENTIFIC BUSINESS LITERATURE

Not the least contributing factor in this development has been the growth of a scientific business literature. A subject cannot be taught without the organization of knowledge in that subject; and the business men of the country are under a lasting debt of gratitude to the first teachers of business in American colleges and to their successors who have written text books on business and thus first stated in an orderly way the facts that were known to them in the fields in which they taught.

ECONOMICS AND THE BUSINESS MAN

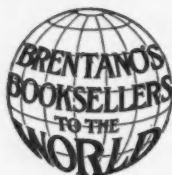
The relationship of business to Economics is so self-evident to us today that it seems strange that not many years ago business men were not expected to know anything about Economics. For this condition of affairs the economists themselves were largely to blame. The

(Continued on page 40)

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Germany's Capacity to Pay

GERMANY'S CAPACITY TO PAY. H. G. Moulton and C. E. McGuire. The Institute of Economic Series. McGraw-Hill Book Co., Inc., 1923. 384 pp.

SELDOM does the first book of any author or organization attract World wide attention. "Germany's Capacity to Pay," the first publication of the Institute of Economics, written by H. G. Moulton and C. E. McGuire with the aid of the Council and Staff of the Institute of Economics, has achieved this distinction in less than two months after its appearance, from the publishing point of view certainly a cause for congratulation.

Shortly after its appearance the French government took cognizance of the book, only to dispose of it as one more pro-German document, written under the conscious or unconscious dictation of pro-German propaganda. Official Berlin, heartened by some of the statements in the book, drew the still more heartening conclusion that since it appeared over the name of the Institute of Economics, located at Washington, D. C., it had an official governmental character. That belief was soon shattered, for the Institute of Economics has, of course, no official connection with our Government.

In these days of strong loyalties and bitter antagonism, it is only natural to raise questions as to the antecedent and present character of the authors or institutions that put forth books directly or even remotely touching on the War and the problems arising from it, in order to determine whether

these books are written to sustain a thesis or a set of emotional concepts, or whether they may be looked upon as a scientific attempt to analyze and present facts. In answer to these questions it may be stated that the Institute of Economics was established a year ago by the Carnegie Corporation of New York, which declared that "in committing to the Trustees the administration of the endowment of the Institute of Economics, over which the Corporation will have no control whatsoever, it has in mind a single purpose, namely, that the Institute shall be conducted with the sole object of ascertaining the facts about current economic problems and of interpreting these facts for the people of the United States in the most simple and understandable form. The Institute shall be administered by its Trustees without regard to the special interests of any group in the body politic, either political, social or economic." The officers of the Institute are Robert S. Brookings, President; Arthur T. Hadley, Vice-President; David F. Houston, Treasurer; and Harold G. Moulton, Director. The Council is composed of Thomas Walker Page, Chairman; Harold G. Moulton, Edwin G. Nourse and William F. Willoughby. The board of trustees includes some of the most prominent economists and publicists in America today, among them A. Lawrence Lowell, Arthur T. Hadley, David F. Houston, David Kinley, Paul M. Warburg, James J. Storrow, and John Barton Payne.

The personnel of the organization and its constitution ought therefore to be sufficient answer to the French charge and the erroneous German assumption and ought also, it would seem, to guarantee for the book a respectful hearing as a serious, unbiassed study of a problem that is engrossing the attention of the world, and upon whose adequate solution the fate of Europe and of ourselves so largely depends.

In America the book has been for the most part favorably received. Students have welcomed it as the most comprehensive study of the problems involved that has yet appeared. However, there have not been lacking those who severely condemn the book. Arthur Richmond Marsh, editor of the Economic World, New York (a journal, by the way, which through its careful selection and reprinting of articles written by authorities gives an excellent weekly survey of the trend of economic and financial opinion and deserves to be widely read, attacks the book in his leading article of August 11, under the heading, "A Mischievous Presentation of the German Reparations Problem." He compares the book, because of its (to him) sophisticated ideas and reasonings, to "The Economic Consequences of the Peace." "This most mischievous book of John Maynard Keynes." He declares that "it is certain that really competent Americans when they have had an opportunity to assess the scientific worth of the book will reject it in toto."

Dr. B. M. Anderson, Jr., Economist of the Chase National Bank of N. Y., whose competence in this field is un-

(Continued on page 48)

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By

HAROLD G. MOULTON

Mr. Moulton has produced a conservatively stated, comprehensive picture of our financial system as a whole, a new service to students of business.

The book devotes six of its thirty chapters to money, one to foreign exchange, one to the nature and function of credit, and the balance to descriptions of industrial and financial corporations and their operations.

As a basis of a general survey of finance, *Financial Organization of Society* is especially adapted and should be of practical value to the investing public as well as to students of the subject.

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PROFITS IN READING Where To Get The Books You Need

By E. P. TUTTLE

Pres. National Assn. of Credit Men
Atlas Shoe Co., Boston, Mass.

"A COLLEGE training is an excellent thing; but after all the better part of every man's education is that which he gives himself." This is just as true today as in 1885 when James Russell Lowell said it.

The business man is limiting himself seriously whose education comes to an abrupt end on that fine June morning when he says goodbye to school or college and plunges into his life work. Such a man is setting a limit not only to his material progress but to his usefulness in the world of affairs and indeed to his own happiness in life.

On the other hand, there is scarcely any limit to the amount of satisfaction to be derived from a mind that, through reading and study, is constantly expanding and becoming more and more enriched.

UNAVOIDABLE STUDY

For the credit worker there is a vast amount of unavoidable study. He must of course be an unremitting student of human psychology, of the trends of commerce, of governmental affairs and of the status of every part of the country whose condition is even indirectly related to his own enterprise. He must read thoroughly and intelligently

1. At least one daily newspaper with a well developed business section.
 2. The reports and publications of such dispensers of information as the larger banks, the statistical bureaus, and the National Association of Credit Men and other organizations.
 3. The better trade papers in his field.
- Moreover, this reading must be done promptly, because failure to keep up to date often renders such reading entirely useless.

READING SOUND BOOKS

But, necessary as is all such study, it is not enough for the credit man who aspires to be something more than a checker of credits. In order to take full advantage of the opportunities for service and advancement that open before him, the worker in the field of credits must from week to week build a solid foundation for his current information by a persistent study of sound books.

"What books?" may be asked.

The answer is a simple one: For a list of books on any business subject, or for an outline of a reading course, apply to Dr. John Whyte, Editor of the Book Department of the CREDIT MONTHLY, 41 Park Row, New York. The reply you receive will have behind it both experience and timely information. You may ask for a list of books on general business topics, or on a specific subject like Foreign Credit Granting, Collection Letters, or Farm Credits.

In any case, having got the list of books, it is then incumbent upon you to act. Borrow the volumes from the nearest public library; or buy them directly from the publishers or from a bookseller. Then plan your time so that, without haste or delay, you will proceed to devour and digest those books,—to your own great pleasure and profit.

[For the Credit Man's Desk]

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EDITED BY E. A. SALIERS, PH. D.

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This sum will be refunded if, within five days after receiving the handbook, you decide for any reason that you do not want it and return it to us. Approval orders, unaccompanied by cash, accepted at \$7.50. If you prefer, you can order through your bookstore.

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The Passing of the T. B. M.

(Continued from page 37)

"dismal science," Economics, was a subject for dialecticians. The economist too frequently spun out their theories for their own personal satisfaction or for the delectation of fellow economists. To be sure they had to consider business, because by their own definition Economics dealt with business in its social aspects. But there were few economists who would demean themselves so far as to apply their conclusions to business. That was not their job. A great deal, of course, may be said for such an attitude. Some of the greatest advances in human knowledge have been made by scientists working for the sake of science with no other end in view than the extension of human knowledge. But it may be doubted whether economists, with the detachment from business life and business problems of twenty years ago, were actually in the possession of materials and facts from which to draw their theories. Or putting it the other way 'round, surely today, when economists are writing not only for fellow economists but for business men, they are far more likely to draw on the facts of business experience than they were before. However that may be, the fact remains that today some of our best known economists are in close touch with business realities and are writing no longer in the abstruse terms of their hierarchy but in the forceful vernacular of business and everyday life. The writings of Hartley Withers in England and George E. Roberts in America have done much to popularize in the best

sense of that word, Economics; and the specialized research of men like Wesley Clair Mitchell, David Friday and Melvin T. Copeland are providing business men of today with facts and figures drawn from penetrating studies into the vital problems of American business.

THE EDUCATIONAL EFFECT OF TRADE ASSOCIATIONS

Another major cause for the change that has come about in the American business man is the remarkable growth of trade associations. The educational effect on American business of these associations can scarcely be overstated. Not many years ago business men in the same lines of business refused to cooperate with one another. If they had valuable information on the conduct of their business they guarded that information with all the zeal of bigots. Today these same business men are pooling their information and methods, and everything but their trade secrets and patents. They are doing this in the consciousness that by so doing they are contributing not only to their own individual success, but to the success of their group. Call these group interests selfish if you will, but surely group selfishness is a far more desirable factor in commercial life than individual selfishness, and with some associations,—and this is particularly true of the National Association of Credit Men,—the group selfish interest is so wide as to include almost all of business. That pooling of information has resulted in the raising to higher levels of the conduct of American business,—an educational achievement in the truest sense of the word.

Though in the larger sense the work of these associations is educational, most of the associations have organized in addition formal educational work. Thus there have grown up in the National Institute of Banking and the National Institute of Credit and research bodies within the organizations or group of organizations, whose purpose it is to accumulate the facts of business and pass them on to their members so that these members may make their business decisions on the basis of ascertained facts and not on hunches or tips.

INDEPENDENT AND GOVERN- MENTAL RESEARCH ORGANIZATIONS

The work of private and governmental business research organizations also constitutes a great factor in this change. These organizations have rendered a valuable service in commenting on and interpreting for business men the facts that they have gathered.

THE WAR AND THE DEPRESSION AS EDUCATIONAL FACTORS

The two greatest immediate causes of the change are without doubt the War and the depression. The War widened the horizon of the business man. It showed him the effect upon his business of national and international economic movements. He learned that he was directly affected by the economic and political developments in his own and in other countries; and as interest in politics and economics.

The depression confirmed his newly gained knowledge of the economic interdependence of mankind. He learned as he had not learned before that the prosperity of his own business is closely interrelated with the prosperity of

(Continued on page 42)

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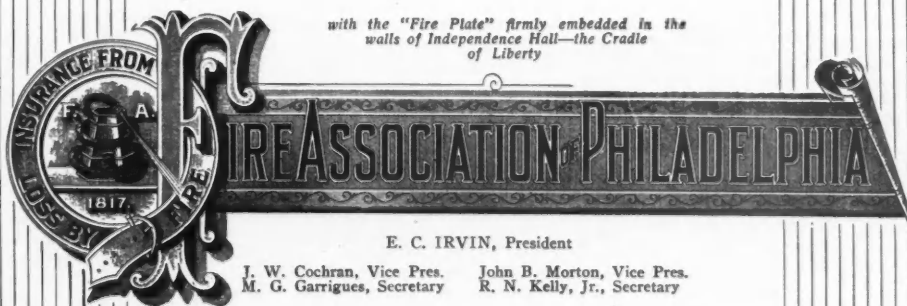
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SPRINKLER LEAKAGE**

When Death of Master Mind Strains Credit

IN the development of a business there must be the long look ahead, often with commitments that take months, even years, to work out to fruition. It is not as if in forming policies and making commitments the presiding genius could put the concern which he directs on the right track and say, "Now I have given it a good start. It has nothing to do but follow the track." There is too much of experiment in all business for that; many adjustments have to be made along the way to unexpected circumstances.

But if the master mind is suddenly taken away, if the directing head dies, what is likely to be the result? Unless he has trained someone—preferably a man of as great capacity as himself,—to take charge, the concern is likely to become crippled.

Here enters that great principle of insurance which modern man has developed till it has become one of the most striking of the economic wonders of the present generation. The vast insurance reservoirs can be employed by this concern to indemnify itself against the death of the master mind or of all the men who are building the concern up and whose initiative, far sightedness, imagination, nerve and judgment are depended upon to make a sound business structure.

Why should not a business take advantage of this modern insurance reservoir for its protection? Is it strange that the question of life insurance for the protection of the business frequently arises in business statements given as a basis of credit?

Credit men are all the while studying margins of safety. They want these margins to be ample for the severest strains that may be imposed. It is the peak of the load that interests both of them, and whatever within reason can be done to prepare for the comfortable carrying of the peak load, they are ready to urge.

Life insurance for the benefit of the business helps the concern to prepare against that peak strain on credit which comes when the concern's master mind is snatched away.

**Did You Read
this editorial in**

**THE
CREDIT MONTHLY**

**when it appeared a
year ago?**

**Even if you did, it is
worth reading again
and with the
publisher's consent we
take the privilege of
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EDWARD D. DUFFIELD, President
Home Office, Newark, New Jersey

*If every wife knew what every widow
knows every husband would be insured*

The Passing of the T. B. M.

(Continued from page 40)

other businesses. He learned, for example, that though he may conduct his business in a large city and never sell directly to the farmer, the prosperity of his business is in no small part dependent upon the prosperity of a result he began to take an increased the farmer. Thus his interests have been widened to include the study of all the problems affecting his economic life.

All these influences have combined to supplant the T. B. M. by an individual of a newer generation, the U. B. M. The modern business man looks upon business as a profession much as the doctor looks upon his profession. He

knows that like the doctor he must keep up with the advances that are being made in his profession. He is under pressure to keep abreast of the newest developments of technic, of new interpretations of old facts. He must sharpen his wits so that he may distinguish between what is truly scientific and what parades under that name, for just as there are charlatans in other lines, so there are charlatans in business who, employing the lingo of the science of business, promise great and immediate rewards to their followers. The modern business man knows that he can and must play a larger part in the development of national and international affairs; for now that his subject has become a science he can bring to the solution of our political and economic troubles facts, and conclusions

Export Credits

EXPORT CREDITS AND COLLECTIONS—
Gordon C. Poole. Prentice-Hall, Inc. N. Y.
1923. 148 pp.

A significant fact in connection with the publication during the past year of various books on foreign trade is the surprisingly small amount of space devoted to the subject of foreign credits. Since in these days of keen competition credit extensions are an absolute necessity for the successful conduct of our overseas trade, it is unfortunate, to say the least, that credit, one of the most important elements in foreign trade, is being so disproportionately treated.

In this book Mr. Poole has filled a long standing need for a reference book on the technique of foreign credit granting. His book is particularly welcome at this time since it treats in large part of phases of foreign credit work which have been only too much neglected. Thus, for example, Mr. Poole gives a very clear and exhaustive presentation of the pros and cons of foreign credit insurance, a subject which has occupied the minds of foreign credit and export managers for many years. Mr. Poole's analysis should be of great assistance to the foreign trader and help him to determine his relation to this much mooted subject.

The author discusses in detail the various services which are now available for the procuring of foreign credit information and shows how these services may be employed in the intelligent granting of foreign credit.

Among the most interesting chapters in the book is the one on the respective merits of discounting drafts or holding them for collection, and Mr. Poole's views on the subject will prove interesting and valuable to many business houses that have been undecided as to which course to follow in handling draft transactions. The chapters on the subject of commercial letters of credit and on the collection of foreign accounts and proper credit department methods are deserving of careful reading. Mr. Poole concludes his book with a brief discussion of the foreign commercial laws with which a credit man must be familiar in order to protect the interest of his firm.

We recommend this book both as a text book to the student studying for eign trade, and also as a valuable book of reference for the experienced export or foreign credit manager.

based upon these facts.

Specialist though he must be, he has learned that the wider his knowledge, the broader his contacts and interest, the more effective will be his conduct of his business. He lays under tribute, therefore, not only the contributions in his special field but economics, psychology, sociology and politics.

May his tribe increase! For upon its increase depends in large part the solution of many of our most harassing national and international problems.

ASSOCIATION SECRETARY WANTED—There is a promising secretarial opening in a Credit Men's Association in the North East. Applicants should give fullest details as to experience, qualifications, etc. Apply, Room 1201, National Association of Credit Men, 41 Park Row, N. Y. N. Y.

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(Continued from page 22)

not exist if the sense of moral obligation on the part of our citizens and particularly our business men were what it should be. Too strong an emphasis cannot be laid upon this, for the evil is one that is steadily growing in spite of all that has been done in the way of improved construction and installation of modern private fire-fighting equipment such as automatic sprinklers. With all the measures that

engineering skill has devised the annual toll from fire waste is steadily mounting, to the great discredit of the Nation.

It would appear that all business associations should give this problem special attention with a view of using the machinery of their organizations in education work that will aid in solving the problem. The influence of such bodies may be incalculable in bringing about needed reforms and the adoption of better methods and practices in their particular fields of activity.

Try This on Your Typewriter

IN ORDER TO TEST the spelling ability of candidates for stenographer an executive in the credit world dictates to the neophyte the following sentence:

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ALBERT, J. A., formerly of St. Cesaire, Quebec, now supposed to be living in Springfield, Mass.

ANDREWS, BEN, formerly in the oil business at Burch, South Dakota.

BATH, B. B., formerly of Statesboro, Ga. and Savannah, Ga.

CAROLLA, D., formerly in business at 675 Fulton Street, Brooklyn, N. Y.

CAVAN, W. P. ("Bill"), formerly in the grocery business in Seattle and is a packer by trade.

DEARDEN'S, Modesto, California.

DOWD, G. T., Montrose, Colorado.

EDWARDS, E. C., formerly of Wessington Springs, South Dakota, also Gaum Valley, South Dakota.

EVANS, J. H., last known address Zanesville, Ohio.

FERRILLE, H. A., former address 145 Dunning Avenue, San Antonio, Texas, later located at Prior, Oklahoma.

FRIEDMAN, JAMES B., formerly of Williams, Arizona.

GREENE, OSCAR C., formerly of Boston, Mass., now either in New York City or Opelika, Alabama.

HANSON, C. H., previously at Vivian, South Dakota, in the Garage and Oil business.

HARTER, DEWEY J., recently at 318 South 19th Street, Omaha, Nebraska, in the general painting contracting business.

HELLER, N. C., 9165 South Chicago Avenue, Chicago, Ill.

HIBNER, OTTO, previously in the oil business at Turtle Lake, North Dakota.

KAPLAN, M., formerly operated the Endicott Specialty Company, 456 Columbus Avenue, New York City.

KESLER, CHARLES F., formerly operated a general store at Cornelia and later at Lakemont, Georgia.

LIAKOS, CONSTANCE G., Tinley Park, Illinois.

LINEMAN, E. A., previously at Mechanicsville, Iowa.

LOFTMAN, A. G., formerly operated the Boston Fish Company, 616 Hennepin Avenue, Minneapolis, Minnesota. Previous to this understand he was located in Seattle connected with the Southern Alaska Canning Company and the National Independent Fisheries Company.

LUCK, J. R., formerly doing business as The Newton Electric Company, Newton, Iowa.

MASON, C. L., recently at Byers, Loveland and Denver, Colorado.

MILLER, JOHN L., formerly of Haigler, Nebraska.

MOORE, W. M., previously at Urbana, Iowa.

MOSS BROS. GREATER SHOWS, T. O. Moss, Manager, formerly of Muskogee, Oklahoma.

NELSON, W. A., formerly of Martinsville, Ill., in the jewelry business.

NUNNALLY, F. H., formerly of Hilltonia, Ga., and later of Canton, N. C.

OKEH OPTICAL COMPANY, last known address 142 East 32nd Street, New York City.

OPHEIM, LEO, formerly in the upholstery and furniture business at Sioux Falls, South Dakota. Reported to have gone to California.

RIGGS, WM. J., formerly doing business as the Bismarck Radiator Works, Bismarck, North Dakota. Now reported to be selling check writers for the Check-O-Meter Sales Company.

ROWETH, E. C., formerly in the Gas and Oil business at Wauneta, Nebraska.

SOROKIN, L., 257 Mattison Avenue, Asbury Park, N. J.

SPARKS, STANLEY W., previously located in New New York City, later in Cleveland, and last heard from in New Orleans.

STEPHENS, HARRY L., formerly of Beulah, North Dakota.

WESTERN SUPPLY & MFG. CO., Robert J. Mills, Proprietor, 23 South Clinton Street, Chicago, Ill.

WILSON, R. C., recently located at Long Beach, Miss.

Information Wanted

Members having dealings with MAURICE FOX, trading as the STANDARD MERCANTILE COMPANY, 535 Chestnut Street, Philadelphia, Pa., will please communicate with this office.

Parties having received orders from the GREENFIELD CONSTRUCTION COMPANY, Portsmouth, Ohio, will please communicate with this office.

Parties having dealing with R. J. JONES, of Norfolk, Virginia, will please communicate with this office.

Parties having dealings with the MARTIN SUPPLIES COMPANY, of Albany, N. Y., will please get in touch with this office.

Parties having dealings with J. A. MENDELSON, claiming to be a member of the firm of BROWNING & MENDELSON, of Havana, Cuba, calling upon the trunk and bag trade generally, will please communicate with this office.

Members having dealings with F. P. NASSAR COMPANY, 401 Broadway, New York City, will please advise this office.

Parties having dealings with R. J. JONES, of LEY, 1208 South Adams Street, Peoria, Illinois, will please get in touch with this office.



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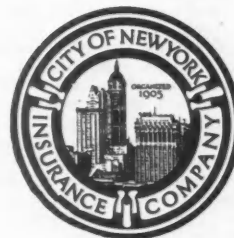
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Germany's Capacity to Pay

(Continued from page 38)

versally acknowledged, thinks well of the book and says, "I believe that the book is very valuable and that it deserves the most careful consideration of all students or the problem. With many of the conclusions of the book I am in full accord. Its examination of the present facts of the German situation seems to me to be very thorough and very impressive. The book is conceived in a scientific spirit and the authors have made every effort to be judicially impartial. I think the writers have proved conclusively that Germany has, for the present, exhausted her capacity to make real reparation payments; that payments which she has so far made have been out of capital or from the sale of marks and mark securities abroad, rather than out of income; and that the occupation of the Ruhr is steadily lessening the prospects of substantial payments from Germany.

"On the other hand, I find myself quite unable to concur in much of their argument which relates to Germany's future capacity to pay, if a sound adjustment of the reparations problem could speedily be made and if Germany could be given a chance to rehabilitate her finances and her economic life."

Without entering into the detailed argument, it may be said that Dr. Anderson believes that once given a sound readjustment Germany in the future "can make substantial reparation payments in the form of annuities spread out over a period of years." In four or five years under favorable conditions, Germany, he says, "can create

a situation whereby her surplus of production over consumption will be greater than it was in pre-war days" (when it was, however, not very considerable). This she can accomplish by sacrifices, by reducing her standard of living, etc.

Enough has been said to indicate the reviewer's belief that the book is

deserving of careful reading because it is a real contribution to the subject. Some of the chapter titles will give an idea of the topics treated: What Paying Foreign Debts Involves; Germany's International Balance of Accounts; What Germany has Paid and How; German Foreign Trade Requirements; How France met the Indemnity

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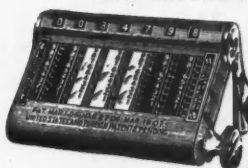
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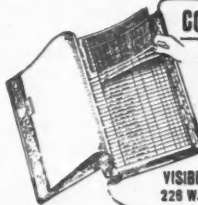


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of 1871; International Implications of the Problem. Among the most interesting chapters in the book are the appendices: Germany's International Trade and Financial Accounts; Methods of Accounting of the Reparation Commission; The Valuation Problem in Connection with German Treaty Fulfillment; Brief Tabular Summary of Principal Official Proposals for Settlement of the Reparation Problem from 1920 to 1923. These chapters furnish interesting material on the question of how much Germany has paid on reparation account. The authors of the book reject the figures of approximately two billion dollars credited to Germany by the Reparation Commission, and also the figures of fourteen billion dollars which the Germans claim they have paid in execution of the Versailles Treaty, and conclude that the cost to Germany of reparation fulfillment up to September 19, 1922, has been about six and one-half billion dollars.

"Germany's Capacity to Pay" will be read by every student of international affairs, whatever the emotional or other bias with which he approaches the subject, for whether he rejects it in toto,—in which case he surely ought to be ready to answer figures with figures and facts with facts,—or whether he accepts its conclusions in large part, he cannot pretend to be informed without having read the most comprehensive study that has yet appeared on the subject.

Positions Wanted

CREDIT MAN, ATTORNEY, COLLECTION MANAGER—Now employed, wishes to locate in the South or on Western Coast to avoid cold weather on account of family health. College education, member of bar. Eleven years with present firm. Two weeks' notice necessary. Address Advertisement 859.

AUDITOR AND CREDIT MAN—Young executive, age 28, married. Five years' experience in general accounting, five years as auditor, office manager and credit man in wholesale and jobbing lines, well versed in taxes and financial matters, commercial law and corporation management, will consider permanent position with reliable concern in or near Cleveland, Ohio. Engaged at present. A-1 references furnished. Address Advertisement 860.

CREDIT INVESTIGATOR—Two years' experience, wishes position with reliable firm or office. Address Advertisement 861.

OUTSIDE POSITION AS ADJUSTER, INVESTIGATOR OR INSIDE RETAIL CREDIT WORK—Six years' experience, age 28, married. Desire to make connection with responsible house where advancement is certain when ability is proven. Salary at beginning of secondary consideration. Address Advertisement 862.

ACCOUNTING, CREDIT AND COLLECTION EXECUTIVE—Ten years' experience in accounting, systematizing of office routine, credit, collection and treasurer's work; desire connection with like duties. Capable of assuming responsibilities. Protestant, age 30, married. Address Advertisement 863.

CREDIT MANAGER—Available Oct. 1. Fifteen years' in that capacity with big steel company. Recent merger with a larger one automatically released him. Would like similar position with allied industry or with bank or trust company. Best references. Interview with executives desired. Address Advertisement 868.

THE JOB I WANT—Is in some credit department of a wholesale house located in New York City. I am not after a title, but after a chance to forge ahead and advance. Age 22. Have taken the Alexander Hamilton course and made other specialized studies in credit work. Available at once. Address Advertisement 865.

CREDIT AND COLLECTION MANAGER OR ASSISTANT—Age 33, university graduate and law student, would like a connection with a firm in the West or middle West. Have had six years' successful experience in credits and collections and as accountant with leading dry goods jobbing and shoe manufacturing house. Am reliable and resourceful and competent to take full charge. My collection letters bring excellent results while leaving commercial friendship undisturbed. Available immediately. Salary \$3,000. Address Advertisement 866.

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EXECUTIVE—Fifteen years' thorough and logical business experience with large manufacturers of national prominence. Considerable responsibilities. College education; legal experience, credit management, general office management, executive of a supervisory capacity, constructive credit and sales personnel work and analyst of general business conditions. Initial salary \$4,800. Address Advertisement 867.

EXECUTIVE—Age 36, now engaged, desires change. Seventeen years' practical experience in accounting, banking, budget preparation and control, credits and collections, departmental co-ordination, financing, formulation of business policies, income taxation and executive office management. Prefer position as comptroller or assistant to dominant officers or owners of a large company. Salary \$9,000 subject to negotiation. Address Advertisement 869.

Measuring Credit Risks

Credit Men Must Be Ever Vigilant

By W. D. Upton

Sec.-Treas. Isaac Walker Hardware Co., Peoria, Ill.

JUST because a prospective customer has received credit from another house is no good reason why your firm should extend him credit. It is true, perhaps, that misery loves company, but it does not follow that the wide-awake credit man should shut his eyes and slide off into misery because some one has gone before.

With the experience of an interested creditor before you who has sold the debtor for years—"Highest credit \$300; amount owing \$300; nothing past due; pays promptly,"—surely you may feel that the debtor is a safe risk for your first order of \$50 or \$100, and you will ship the order if it is a first order. But at the same time, or probably before shipping, you have asked the mercantile agencies for a copy of their reports because you wanted to get those tell-tale antecedents. In Peoria we are glad to give the mercantile agencies credit for prompt responses to our requests for information. Often they have the full report we ask for on file. In such cases we have, the same day or the day following, requested full report,—stating whether or not the financial analysis is based on a signed statement,—or it may be read to us at once over the telephone.

It usually takes from two to five days to get credit experience letters returned, depending upon the distance. But with a few interchange bureau reports on hand, direct credit experience letters, supplemented by one or more agency reports on the prospective debtor, it is a comparatively simple matter to decide whether it is wise to sell John Doe on regular terms, cash in advance, or possibly sight draft, bill of lading attached.

Clearly there is great responsibility in a credit man's work. The assets of his firm are distributed among many customers. There must be unity between the credit manager and the sales department. Each must have entire confidence in the other. This applies especially to the traveling men; they should have confidence in the credit manager as abiding as in the old days subjects had for their king. The king could do no wrong. Let us stress once more the importance of co-operation and team work between the credit and sales workers of a business.

The exchange of credit information has become imperative because traveling men are at a disadvantage in obtaining information as to the true condition of the merchant from whom they take the first order or even the merchant they have sold for years. A lack of trust, which the merchant is quick to resent, is implied if the traveler asks him questions which show some doubt of the merchant's ability to pay his bills. No one in the town where the merchant lives will want to

hurt his credit. Even the banks hesitate to give out facts of an unfavorable nature about a depositor.

But among jobbers, manufacturers and others, the situation is different. For their own protection they have learned that they must tell the truth, must give their brother credit man all the facts and conditions. If inside information is in their possession, they feel bound to share it with those interested. Bread so cast on the water will return after many days. With them the precept is clear to go out of their way to dig out information, if necessary, to warn others off the rocks on which they lost money, knowing that some one else will warn them in like manner.

GETTING ALL POSSIBLE INFORMATION

Every credit man must see to it by proper investigation that every possible chance of loss is eliminated before the new account is put on the books of his firm, and must continue the investigation until the debtor has paid and the account is closed. Before the order is shipped there should be the traveler's personal opinion. It is usually optimistic. Possibly the bank's comments are had; certainly a report from the interchange bureau, if fortunate enough to have one in the town. The mercantile agency report should not be overlooked. Then with the data all together and co-ordinated, the credit risk will be measured intelligently and accurately and the loss ratio be held firmly down.

After the account is opened, acts speak louder than words. How does the debtor pay? Does he discount? Does he make unjust claims? Does he pay when due? Does he want to do business on the seller's capital or is he willing to pay interest on accounts past due? Does he pay drafts? These are the guide posts that help in forming an opinion of a customer's account and its desirability from a credit man's viewpoint. Eternal vigilance is the price of salvation, and there are always certain signals that the watchful eye may discern in the way the debtor pays his account.

A small account will command the seller's respect and be greatly esteemed if it is promptly paid, for large numbers of small accounts mean volume; but when an account is past due, large or small, when promises are broken, then the debtor seems to say, "I am in deep, Old Top. Why worry?" But the credit man worries for very truth and must not relax in efforts to collect until every possible facility has been exhausted.

Let me say to the credit man out of my experience:

*Keep your eyes and ears open.
Don't get rusty.*

*Keep young.
See the bright side and be happy; but see the facts and don't be foolish.
Don't take a chance with your money or the money which those associated with you have put under your control.
When the data before you says, Caution, stop and listen.*

Have the courage of your convictions and remember that it is extremely easy to grant credit but exceedingly expensive if you do it unwisely.

Better to turn an order down—better to turn many orders down—than to accumulate bad accounts and fill ledgers with frozen credits.



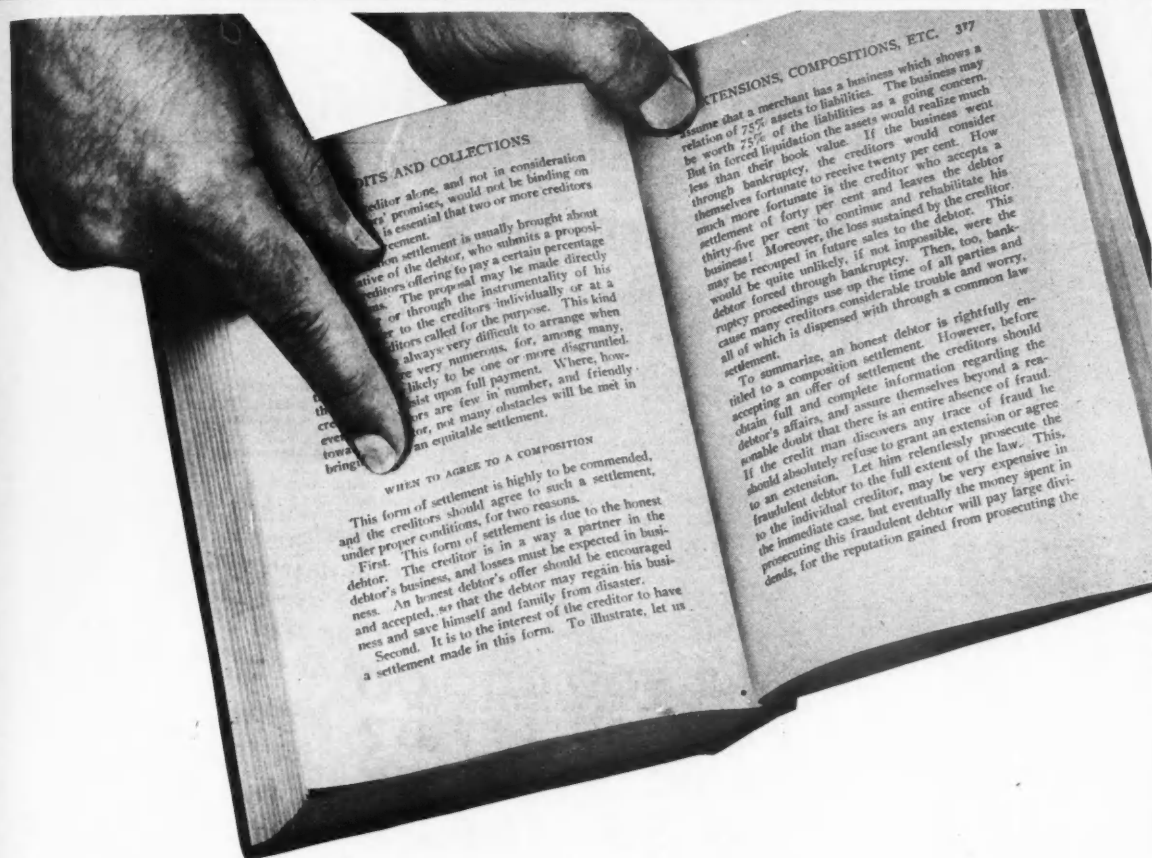
Ross Joins Sec. Tregoe's Staff

THE staff of Secretary-Treasurer J. H. Tregoe of the National Association of Credit Men is greatly strengthened by the addition of John W. H. Ross as Manager of the Membership Department of the Association, succeeding E. G. Bric, resigned. Mr. Ross, who started his business career as an accountant and bookkeeper, entered the credit field in 1919 as assistant credit man in the National Lead Co., N. Y. Just before taking up his present duties, he was export credit manager for the Simonds Saw & Steel Co., N. Y. He has been a member of the N. Y. Credit Men's Association since 1919, and has seen active service on the Supervisory Committee of the Foreign Credit Interchange Bureau of the National Association for the past four years.

Mr. Ross believes in the theory that the business man should devote a part of the day to recreation and declares that in fishing and automobiling he finds two very beneficial forms of relaxation.

The CREDIT MONTHLY extends a cordial welcome to this credit man entering the broad and useful field of credit association work.

Widely experienced CREDIT and COLLECTION EXECUTIVE past seven years travelling from Coast to Coast in capacity where judgment, initiative, ability, tact, firmness were required, with knowledge of practice in commercial law to handle payment of current and past due accounts, consignments, replevin cases, repossession, conversions, embezzlement acts, bankruptcy cases; previous position 10 years. Executive with manufacturer. Familiar with financial statements, fixing lines of credit ways and means of handling delinquent accounts, stimulating action and keeping the account on the books; Desire connection where wide experience with accounts in all phases will be available as a producer and a builder. Age 45, Married, family, Christian, college education. High-class credentials. \$3,000 per annum start. Address Advertisement 871.



Information That Makes Better Credit Men

If a good job came your way tomorrow, are you prepared to hold it down? Could you make a safe analysis of a statement? Would you be able to put your finger on the authoritative sources of credit information? Do you know exactly how and when to exercise legal rights—or when to agree to composition? Would you understand the relation of economic laws to credit extension?

These are questions that every good credit man must be able to answer. You will find these and hundreds of others answered in terms you understand in the National Institute of Credit Courses in "Credits and Collections" and "Basic Economics." These courses are prepared on the lecture, problem, study plan—you get real help from them.

Credit Men and Young Men preparing to enter the credit field all over the country have saved their employers thousands of dollars and greatly increased their own salaries through these courses. Both are absolutely necessary before you can become an Associate or Fellow of the National Institute of Credit. Both are required for Junior and

Senior Certificate. Both are designed to give practical, useful information.

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Date.....
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[] Basic Economics 12.50
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INCORPORATED - 1872

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STATEMENT JANUARY 1, 1923

CHOOSE
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\$12,500,000.00
CAPITAL
RESERVE FOR ALL OTHER LIABILITIES
19,816,417.87
NET SURPLUS
13,017,077.35
ASSETS
45,333,495.22
LOSSES PAID POLICYHOLDERS
143,654,333.86

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COMPANY

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\$25,517,077.35

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HAIL
EXPLOSION

RENTS
PROFITS
COMMISSIONS
AUTOMOBILE
MOTORCYCLE
LEASEHOLD

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WAR RISK
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For seventy years the Agricultural Insurance Company has served the insurance needs of these great industries and of a host of

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Contents of November, 1923, Issue of

THE CREDIT MONTHLY

A NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

Published by the National Association of Credit Men

WILLIAM WALKER ORR, *Editor*

RODMAN GILDER, *Managing Editor*

A BOARD OF STRATEGY	
Better than an autocrat for a business.....	<i>The Editor</i> 5
ADDRESSING MACHINES	
What every credit man should know about them.....	<i>Edward T. Fanning</i> 7
THEY FOUGHT THE GOOD FIGHT	
The story of how confidence won two battles. <i>With illustration.</i>	<i>F. R. Otte</i> 8
FIRE SAFETY AS A CREDIT ITEM	
Deep interest of credit men in fire prevention. <i>With cartoon.</i>	<i>William Walker Orr</i> 10
WHEN 482 CREDITORS AGREE	
Adjustment bureau takes hold—bankruptcy is avoided. <i>Illustrated.</i>	<i>J. H. McCallum</i> 12
WITHHOLDING HIS BOOKS	
Bankrupt's privilege as recently decided.....	<i>W. Randolph Montgomery</i> 13
UNIVERSALLY ACCEPTABLE CHECKS	
Payable 100 cents on the dollar. <i>Illustrated.</i>	<i>Thomas L. Gregg</i> 14
THE CREDOSCOPE.....	<i>J. H. Tregoe</i> 16
WITH THE EDITOR.....	18
WHAT TIME RECORDING MACHINES TELL	
Improving the work of the credit department.....	<i>F. E. Francis</i> 26
WHO'S WHO IN FOREIGN MARKETS	
How Uncle Sam helps export managers.....	<i>Arthur S. Hillyer</i> 28
THE MAKING OF A BOOK READER	
A credit man was inspired by Roosevelt.....	<i>Jos. K. Drake</i> 29
BOOKS OF INTEREST TO FINANCIAL EXECUTIVES. <i>Reviews.</i>	30
ADDRESSES WANTED.....	37
EIGHTY ADJUSTMENT BUREAU "SERVICE STATIONS".....	38



Can You Measure up to the Credit Man of Today?

TIME was when a credit man's chief duty was to try to collect overdue bills.

Today, in addition to preventing the occurrence of overdue bills, he figures in the entire plans of business from sales expansion down. He is expected to know *when* to sell, *where* it is safe to sell, *what* the present conditions are in the business world, *how* future conditions are shaping themselves—all these and a score of other things formerly thought outside his field.

How can you measure up to these ever increasing demands on the credit man? By arming yourself with knowledge! Prepare yourself, in your spare time, for these bigger responsibilities—the business world is willing and anxious to pay the man who can bear them.

The National Institute of Credit makes it easy for you to shoulder bigger responsibilities with its Home Study Courses in "Credits and Collections" and "Basic Economics." These courses are planned to give you practical, *usable* information on the bigger problems of credit. They are planned and written by the biggest men in the credit field—written to give you knowledge rather than theory.



DR. JOHN WHYTE,
NATIONAL INSTITUTE
OF CREDIT,
41 Park Row
New York City.

Will you kindly mail me information concerning the following courses: (Check course desired)
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"Credits and Collection" ()

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Street
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Remember, they are more than reading courses, they are *working* courses, built around the problem of study.

If you want to beat *time*, if you want to get ahead by the quicker plan of gaining knowledge, here is your opportunity. Remember, you get these courses at non-profit prices. They are furnished to you through the National Institute of Credit—the logical place to study credit problems—to further the interests of sound and practical credit methods. You pay for the cost of the courses *only*.

The National Institute of Credit, a direct outgrowth of the National Association of Credit Men, was founded in answer to the demand for courses in Credits and Economics that would help solve everyday problems and widen the perspective of credit men in general.

Credit men and young men the country over have used these courses to climb to bigger positions in the credit world—and bigger pay.

Start one today. Each course covers twenty weeks—twenty weeks in which you gain knowledge and help that might otherwise take you years to get. Each course is mailed periodically or all at once, as you choose.

Mail the coupon today. Get ready for bigger work—and bigger pay. Simply check the course you are interested in. Complete information will be mailed you promptly.

Clip the coupon now before you forget it.

National Institute of Credit

41 Park Row

New York City

A Board of Strategy

Better Than An Autocrat For a Business

IN his book, "The World Crisis," Winston Churchill, First Lord of the British Admiralty in the early days of the Great War, calls attention, perhaps without direct intention of doing so, to a danger which often arises in the determination of the campaigns in which Army and Navy shall engage. It is a danger with which a business has often to contend when its policies are in the forming.

Lord Kitchener, was the most dominant figure in the early days of the War on the side of the Allies. His brilliant achievements, before the Great War, the tirelessness and rapidity of his labors, the force of his splendid character gave him so great an authority that no associate, not even a cabinet minister, dared to oppose him. No one had the temerity to insist upon a board of strategy to work out plans. The labors of such a board, if it had been appointed, seemed likely to be altogether unavailing.

The errors of the first year of the War as they are now seen may be chargeable to one man's predominance, carrying with it necessarily the weaknesses as well as the strength of one great leader.

What is true in the strategy of war, is true in the strategy of business. One man, autocratic dominance over a business, lays the business open to the unchecked weaknesses and errors of one man. It were safer to rely upon a board of strategy whether in war or in business. The board should be composed of men each of whom, while holding in deep respect the judgment of all the others, contributes,—out of a trained and well-poised though perhaps not brilliant mind,—to the formulation of plans of operation. This is safer than to rely upon one brilliant, all-dominating figure which brooks no interference and sweeps aside all suggestions and criticisms.

We have here indicated one principle that contributes to sound, stable and permanent business.

Mr. Walker
Editor.

The sturdy

Autocar

Wherever there's a road

The Detroit branch of the National Biscuit Company, which is illustrated below, operates 22 trucks, Autocars exclusively. The Autocar direct factory branch in Detroit assures expert, standardized service for this fleet. Thus the Detroit branches of two national organizations work together for prompt, economical delivery of food products. The National Biscuit Company owns and operates throughout the country 114 Autocar Trucks of all models and capacities.



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